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FACULTY OF COMMERCE

DEPARTMENT OF MARKETING MANAGEMENT

**EVALUATING THE EFFECT OF BRAND EQUITY AND ITS IMPLICATIONS ON
CUSTOMER LIFETIME VALUE. A CASE OF NEBULA AGENCIES TRADING AS
FABS HARDWARE, WESTGATE, HARARE.**

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DEDICATION

I dedicate this dissertation to my beloved sister, brother and mum for being with me every step of the way and encouraging me throughout the research. May the Lord bless them abundantly?

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Firstly, I would like to thank Mr Chuka and FABS hardware management team for granting me the opportunity to carry out my research. The employees were cooperative in contributing their views openly during the, discussions that we had as well as on completing questionnaires.

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ABSTRACT

The research was carried out to evaluate the effect of brand equity and its implications on customer lifetime value. Research was based on Nebula agencies trading as FABS hardware in Westgate, Harare. The objectives for the research were; to evaluate the effect of brand equity on customer lifetime value, effect of brand association on customer lifetime value and the effect of brand loyalty on customer lifetime value. The research covered the period from January to December 2015. Both exploratory and descriptive research designs were used to collect data for the study. The researcher also made use of judgemental and convenience sampling techniques to select participants of the research. Both secondary and primary data was used to gather first-hand information through administering questionnaires and conducting interviews, and company sales reports and customer accounts databases. Population used for the branch consisted of 2000 elements. The sample size used by the researcher comprised of 100 customers and 6 employees and management. The research instruments that were used in data collection were interviews and questionnaires. Data was collected at Westgate complex in Harare through questionnaires distributed in and around FABS hardware. The data collected was analysed and presented through use of tables, graphs and charts. The findings from the research highlighted that, brand equity is effective in enhancing customer lifetime value for FABS hardware. The findings showed that brand awareness, association and loyalty for FABS hardware had affected customer lifetime value. The researcher went on to conclude that FABS hardware does not hold strong brand equity and this has affected customer lifetime value. The researcher recommends that FABS could strengthen brand equity elements in order to benefit from higher customer lifetime value and sales. The researcher also recommended FABS hardware to full utilise marketing tools such as, advertising and online marketing to increase brand equity. Further research must be done on the effect of brand equity on company profitability.

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CHAPTER ONE

GENERAL INTRODUCTION

1.0 Introduction

The chapter focuses on background of the study, broad aims, and specific objectives, significance of the study, delimitations, assumptions, limitations and definition of terms.

1.1 Background to the problem

Keller (2003) describes brand equity as differences in customer response to marketing activity. Brand equity is characterised by a variety of relationships in branding the brand building process. These variables combined together bring out the brand equity of a firm. Salzer Morling and Strannegard (2004) presents brand equity as consisting of brand awareness, brand loyalty, perceived quality and brand association.

It is every firms desire to build a strong brand as this aids in gaining customers, competitiveness as well as performance. Keller (2003) supported this notion when he stated that strong brands can improve customer loyalty and therefore generate higher revenues in the long-term. This shows that firms with high brand equity are likely to benefit from this goodwill. Another author took a further step in explaining the benefits and importance of brand equity. Ling (2003) stipulated that firms with high brand equity gain more competitive advantage and enjoy the opportunity for successful extensions, resilience against competitor's promotion pressures, and creation of barriers to competitive entry. Brand awareness can be used to build brand equity and influence customer lifetime value.

In the past years researches have been made on the effect of brand equity but none has been made in the retail hardware industry of Zimbabwe, particularly in the Westgate area of Harare. This gap has led to the purpose of this research.

Nebula Agencies trading as FABS hardware is a franchise which specialises in the retail of hardware products. The company operates at Westgate shopping centre and mainly targets individuals and organisations that are doing infrastructural development. Main targets are churches, schools and individuals like plumbers, builders, painters, electricians and residents in Area D and Westgate. The company is also engaging in projects where it targets NGOs doing infrastructural development in Harare, in as far as Mrehwa. Customers rely on FABS hardware for building material, plumbing equipment, pool products, electrical accessories, gardening and

general tools as well as painting products. This has been the main base for business for FABS hardware.

In the retail sector, customers face a relatively low cost of switching from one corporate brand to another as products offered tend to hold some level of similarity. This has seen FABS facing numerous brand switching encounters from its once loyal customers, as they opt to get their hardware equipment elsewhere. Customers seem to easily substitute products and services provided by FABS with competitor products, preferring to buy from competitor brands. For most customers FABS seized to be first preference within the Westgate complex with most customers only coming in after they have failed to get the required products and services elsewhere.

The customer's disregard of the FABS brand has taken a negative toll on the company's sales, profitability and overall performance. Nebula agencies trading as FABS hardware was supposed to be benefiting from the FABS brand name and image which has been one of the reasons for being a franchise over the years.

Over the years FABS has managed to strongly position its brand in a way that made it competitive in the hardware industry. It has managed to raise brand awareness to its target market as well as create an image in the mind of its customers. However, there has been a continual decline in people who seem to know about the brand's existence in Westgate, though it has been there for a long period of time. This serves as a sign on the decline in brand equity since the firm's retained customers should to some extent advocate and spread news about the brand, through word of mouth when referring others to the shop. There has been a decline in the sales volume and profitability generated from customers even after conducting activities to gain sales.

Customers have been complaining on the quality of service they get at the shop as well as product pricing. In previous years complains were few as customers believed they were getting value for their money hence product price was in line with product quality and brand quality. This has seen in some cases disgruntled customers not returning to FABS. The level of customers who walk in or call even just to enquire has significantly dropped and buying habits of once regular customers has changed. At first the problem was perceived to be seasonal or rather a passing phase but it has continued for longer than anticipated.

Competition has always been a cause for concern for FABS as it faces stiff competition from Kingsons hardware, Ranchlet and Pick n Pay which has a hardware sector. Competitor

activities have resulted in FABS stocking up products for a longer period of time before they get sold, thereby seeing a challenge in cash problems as most of it ends up being tied up in stock. The decline was followed by a significant fall in sales as well. The marketing activities being carried out by FABS hardware seem not to pay off as sales continue to decline and in some cases losses are incurred. Sales figures for FABS hardware have fallen from \$168 849.78 (January 2015) to \$153 772.78 (31 December 2015). The same fall as been experienced in the annual gross profit for the firm falling from 64 059.33 in January to \$51 960.71 in December. The decline in sales figures and profits can be shown in the table below:

Annual sales figures	Annual gross profit
2015 January = \$168 849.78	2015 January = \$64 059.33
2015 December = \$153 772.78	2015 December = \$51 960.71

Source: extracted from FABS Westgate annual reports (Jan -Dec2015)

Customers tend to find the brand they buy from valuable, and companies have in turn become concerned about their brand equity. This has brought about the reason for this research, so as to find out how brand equity affects customer lifetime value.

1.2 Statement of the problem

FABS has been facing a challenge in acquiring and retaining customers, as well as sales and profitability. Customers constantly shift to other competing brands. This has given the company reason to determine its brand equity. During the research period, were the customers still loyal, aware, and associated with FABS as a brand, and could this have affected customer lifetime value?

1.3 Broad aim

To evaluate the effect of brand equity and its implications on customer lifetime value. A case of FABS hardware.

1.4 Specific objectives

To determine the effect of brand awareness on customer lifetime value.

To determine the effect of brand loyalty on customer lifetime value.

To determine the effect of brand association on customer lifetime value.

1.5 Research Questions

What was the effect of brand awareness on customer lifetime value?

What was the implication of brand loyalty on customer lifetime value?

How did brand association affect customer lifetime value?

1.6 Significance of the Study

To the company FABS hardware:

- The adoption of the recommendations from this research by FABS hardware helps the company have a deeper understanding on the importance of brand equity on customer lifetime value.
- The study helps the company to get a deeper insight on customer views and expectations regarding the FABS brand.

To the Researcher:

- The research enlightened the researcher on good branding techniques as well as shed a light on the relationship between academic marketing knowledge and its applicability to the industry.
- The research helped the researcher to develop research skills and interpersonal communication skills thereby satisfying the degree requirements.

To the University:

- The research provides literature for the library and will open avenues for further study for other students who may want to carry out researches on brand equity. It can be a form of secondary data as well as an assessment tool.

1.7 Delimitations

- The research concentrates on brand equity components for FABS hardware in the Westgate area in Harare.
- The research covers the period from January to 31 December 2015, as this is the period in which the researcher was attached to the company.
- This study focuses on brand awareness, brand association and brand loyalty as variables for brand equity and their implication on customer lifetime value.

1.8 Assumptions

During the research process, the researcher made the following assumptions:

- The respondents had an understanding regarding the subject of brand equity and customer lifetime value.
- Information from respondents was accurate, complete, and relevant and therefore, could be relied on.
- Research instruments and methods were ethically acceptable. Sample size was be representative of population.

1.9 Limitations

- Geographical area used in research only represented a small population, that is, one branch and not the whole of Zimbabwe.
- Effectiveness of questionnaires was subjective as some respondents failed to answer in time as well as misinterpreted questions.
- The areas addressed and the situation being faced by the Westgate branch might not be the same situation being faced by other branches elsewhere.

1.10 Definition of terms

Brand Equity - a phrase used in marketing industry to describe the value of brand (Aaker1991)

Brand- is a name, term, sign, symbol or designer a combination of them, intended to identify the goods and services of one seller or group of sellers and to differentiate them from those of the competitor Kotler (2004).

Brand awareness- this is the ability of the target audience to recognise, acknowledge the existence of, and be familiar with a brand and understand what the brand is all about.

Brand association- strength and favourability of a brand

Brand loyalty- this is a biased behavioural purchase process that results from a psychological process. According to (de Chematony and McDonald (2011), brand loyalty is the extent by which customers are faithful to a particular brand which is expressed by repeat purchase disregarding marketing pressure from competing brands.

Customer lifetime value- customer lifetime value is a forward looking concept that takes a long-term perspective on a supplier's relationship with a customer, and is the same unit of measurement that creates customer equity, (Kate McFarlin (2016). The firm's aggregated customer lifetime value (basing on the entire customer base) is equal to the firm's customer equity. Customer lifetime value is driven by customer acquisition, retention and profitability.

Customer acquisition- this is a situation by which a firm gains new customers.

Customer retention- this is the ability of an organisation to maintain long-term relationships with its customers which is considered crucial especially in services whereby it is expensive and difficult to establish relations.

Profitability- the monetary value brought in by a customer

1.11 Chapter Summary

This chapter focused on the background of the study for Nebula Agencies trading as FABS hardware. It looked at the statement of the problem, introduced the research topic and highlighted on the research objectives and questions. The chapter also gave an insight on the significance of the study, as well as limitations and delimitations of the study. Chapter two will be focusing on literature review.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter aims to give an insight on views by various authors on the subject of brand equity. Components of brand equity which include brand awareness, brand association, perceived quality and brand loyalty will be discussed. Brand equity will also be discussed in line with customer lifetime value.

2.1.0 Brands defined

To get an understanding of brand equity it is essential to have a brief insight of what brands are. Kotler (2001) defined brands as beliefs, ideas, expectations and perceptions held by customers, potential ones or anyone who can have an effect on your business. Kotler (2003) added on to his definition when he highlighted that a brand is a label which holds a meaning and associations. Bedbury sighted by Kotler (2001) in his book “A new brand world” believes branding consists of taking a common thing and developing it so that it becomes more meaningful and valuable. Both authors share the same notion that a brand is a name that has a meaning and is viewed to hold value in the market.

According to Matnsson (2008), a brand is a name that influences customers by building relationships and creating associations between consumers and distributors over time. Hamann et al (2007) mentions that customers often choose branded products and are willing to pay a premium when given the option to choose between products with alike benefits and features. The brand stands for not only the product itself, but also a comprehensive image of the company (Adrian, 2011). Furthermore, consumers choose products according to the brand of the company. As a result, companies pay more attention on building their brand, for example, Coca-Cola paid more than 2.9 billion only on advertising in 2010, and Coca-Cola has not changed its products and receipt for decades (McWilliams, 2011). Strong brands have high brand equity, and brands are beginning to be considered as part of a company’s capital, hence the theory of brand equity, Kapferer (2008).

2.1.1 Brand equity

Keller (1993) sighted in the book “Creating Powerful Brands” (2003) views brand equity as the result derived from customer responses to the marketing of a brand which depends on their knowledge of the brand. Srivastava and Shocker (1991) sighted in the same book add on to the

definition of brand equity when they refer to it as, behaviours and associations on the part of brand customers, corporation and channel members that gives a brand a leverage to earn greater margins than it did without the brand name and also provides a strong sustainable advantage. Leslie et al (2003) supports this definition by stating that brand equity looks at customers' perceptions about a brand which in turn leads to the brand's value. The authors acknowledge that customer perceptions come into play when building brand equity. Brand equity is therefore characterised by a variety of relationships in developing the brand building process.

Brand equity consists of brand personality, brand awareness, perceived quality, brand image and organisational associations, Leslie et al (2003). They view these elements to be measurable through price premiums, market share, leaderships, distribution and loyalty. However, other authors regard brand equity elements to be slightly different to those stated above. According to Keller (2003), Salzer Morling and Strannegard (2004) brand equity consists of brand awareness, brand loyalty, perceived quality and brand association. They regard brand loyalty as an element of brand equity rather than a measurement. The researcher will use the latter definition for this research. From the researcher's perspective, brand equity for FABS hardware consists of brand awareness, brand loyalty, brand association and perceived quality.

Brand equity has many forms or paradigms. Kapferer (2008) points out two paradigms of brand equity, which are; one that produces measures in monetary value and the other one which is customer based and focuses exclusively on the relationships customers have with the brand. It focuses on the total indifference to attachment, loyalty and willingness to buy and rebuy on beliefs of superiority and evoked emotions. Aaker and Keller sighted in "IBT Journal for Business Management" (2014) also support the notion of consumer based brand equity stressing on the value a brand adds to the consumer. Keller explains it in terms of brand image and knowledge, while Aaker divides it into brand awareness, loyalty, perceived quality and association. This type of brand equity focuses closer to the issue of customer lifetime value being addressed by the researcher.

Brand equity refers to the value of a brand name. Brand equity has impact on profit margins through having an effect on profit margin per individual customer, sales volumes for the company as well as customer retention. The research focuses on the effect and implications of brand equity on customer lifetime value and Aaker's model clearly explains the key fundamental elements of brand equity as shown below;

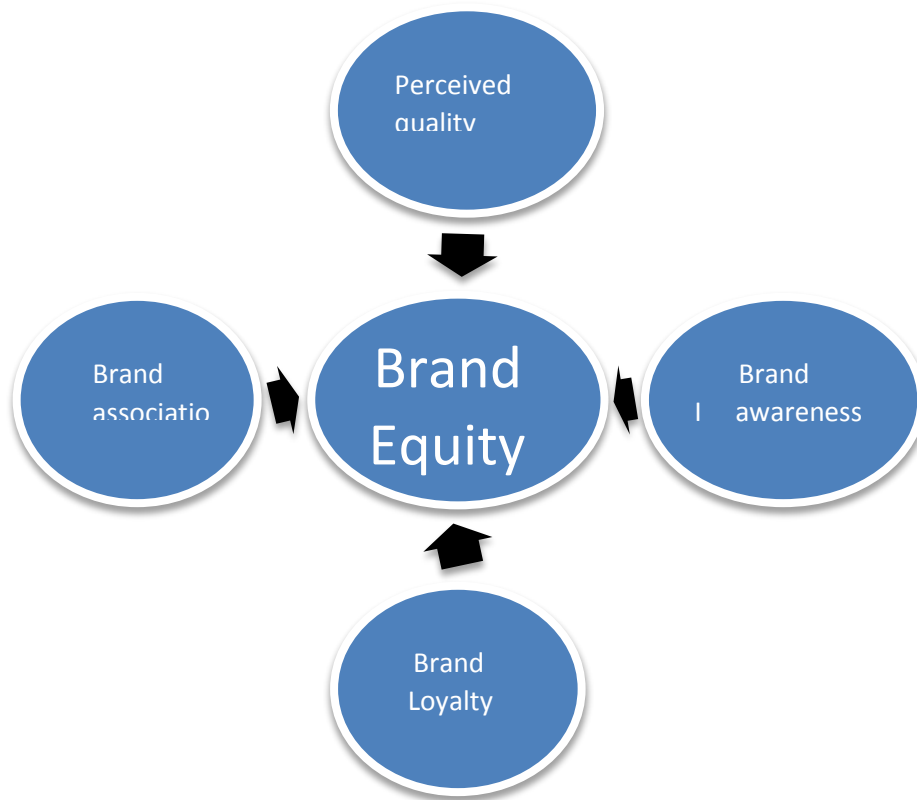


Fig 1.1: Brand equity model edited from Aaker (1991) original model;

2.1.2 Customer lifetime value (CLV)

According to Leone et al. (2006) sighted by Stahl et al (2011), although many diverse methods have been suggested for brand equity measurement, they share the view that “The power of a brand lies in the minds of consumers”. Stahl et al (2011) suggests that marketing efforts have indirect impact on CLV, which is achievable through brand equity. They add on that changes in brand equity and marketing efforts, can exert significant effects on CLV. Their findings propose that the “hard” and “soft” sides of marketing have to be managed in a coordinated manor. (Farris et al. 2006) denotes customer lifetime value to be driven by rates of acquisition, retention, and profit margins. This makes customer lifetime value, the net present value of the customer’s long-term profit contribution.

Allawadi et al (2003) and Srinivasan et al (2005) sighted by Stahl et al (2011) show how brand equity is linked to, or influenced by marketing actions conducted by a firm. Stahl (2011) went on to sight Venkatesan and Kumar (2004) as well as Blattberg et al (2009) who demonstrate

how customer lifetime value is affected by marketing activities. Brand equity and customer lifetime value are driven by various marketing activities such as price, new products, and advertising among others. The brand building process and customer lifetime value cannot be completely independent from marketing activities or tools where; advertising, word of mouth and other elements come into play.

Customer lifetime value can be said to be an estimate of the future cash-flows associated with a group of customers or individual customer, McFarlin (2016). She further went on to define customer lifetime value as a futuristic concept that focuses on the long-term perspectives on customer-supplier relationships, stating it as the same element of measurement used to create customer equity. Companies have to estimate the net profits generated by a customer, acquisition cost and expected purchasing life in order to compute customer lifetime value. Customer lifetime value can be referred to as the total revenues which an organisation may generate from its customers over a period of time, for instance a year, less the costs incurred which are associated with customer acquisition, retention, and development programs.

The researcher finds this applicable to FABS hardware especially when it conducts its project sales, targeting profit and non-profit making organisations where activities like personal selling, and relationship management are involved. Kate McFarlin (2016) sights that there is a relationship between brand equity and customer lifetime value.

2.2.0 Brand awareness and customer lifetime value

Brand awareness is described as the ability of a customer to recognise or recall the brand, Frazen and Bowman (2001). A brand with a strong brand recall in the top of the mind has the ability to influence customer choice inside a product or service category. According to Vrontis and I'apasolomou (2007), brands which are powerful enjoy higher levels of brand awareness. Customers need to be aware of a brand in order to know more about it and associate with it.

Aaker (2002) adds on to this definition by defining brand awareness as a marketing concept that allows marketers to enumerate trends and levels in customer knowledge and awareness of the brand's existence. Ryans (2007) comprehends that, at the aggregate level, it refers to the proportion of customers who have knowledge about the brand. They acknowledge the importance of customers knowing about a brand and its impact on their buying behaviours. If customers know about a brand, they are likely to buy and associate with the brand. Brand awareness has an effect on sales volume for a company as it influences purchase behaviour. Brand awareness can be used to gain or acquire customers (whereby customer acquisition is a

component of customer lifetime value). When a firm acquires customers, its sales volume increases as the acquired customers buy from the brand.

Brand awareness encompasses how information about the brand is disseminated. Aaker (1996) sighted by Leslie et al (2003) stipulated that brand awareness consists of brand recognition, recall, dominance and knowledge. Aaker (2002 and 2008) further went on to say that brand awareness is measurable basing on the different ways which consumers think of a brand, ranking them as; brand recognition, recall, top of the mind, as well as dominant brand. Another author, Keller (2003) supports that brand awareness comprises of brand recognition, (the ability of the customer to confirm exposure to a brand especially when given a brand as a cue), and brand recall (the ability of the customer to retrieve a brand from memory when given the product category, the needs satisfied by the category, or usage or purchase circumstances as cue).

The authors share the same notion that brand awareness consists of creating recognition, recall and knowledge in the minds of consumers. The researchers mainly base brand equity on the manufacturer's brand and not on the brand equity for retail industries. For FABS hardware, brand awareness becomes the ability of customers to relate to experience with products and services offered by the hardware. It therefore implies that strong brand awareness for FABS hardware, affects customer lifetime value increasing sales. Keller (2003) adds that, marketing programs used to build brand awareness link unique and favourable associations to the brand in the mind of the consumer. These associations are also determined by brand assumptions, direct experience, word of mouth and brand identification with the company. Brand awareness can be enhanced through repeated exposure (for brand recognition) and strong associations with product category for brand recall.

2.2.1 Brand awareness through symbols and customer lifetime value

Symbols also play a vital role in brand awareness and recognition. According to Ross (2001) symbols are the processes by which companies make themselves known through posters, billboards and other signs that represent the company's name, logo, corporate colour and location. She added that a company with a well-known brand can only be viewed to be in existence through brand symbol components. Farquhar, Herr and Fazio (2009) say that a brand name and symbol represents potentially powerful communication tools for categorizing a brand as a member of product categories. Aaker (2001) adds on that symbols can affect inferences made about a brand's benefits and attributes, and can work in sync with other elements of the marketing mix to present clusters of the brand's associations.

Brown and Hoyer (2010) discovered that consumers are more willing to choose a known over an unknown brand, even though they have some knowledge that the unfamiliar brand holds greater quality. The authors acknowledge that brand symbols are essential in building brand awareness. Symbols enhance recall and likely purchase thereby aiding to customer acquisition. Consumers tend to buy from brands they know and have heard of or come across at some point in time. It is important for a company to enhance brand awareness through brand symbols, so as to positively impact customer lifetime value, through customer acquisition and increase in sales volume.

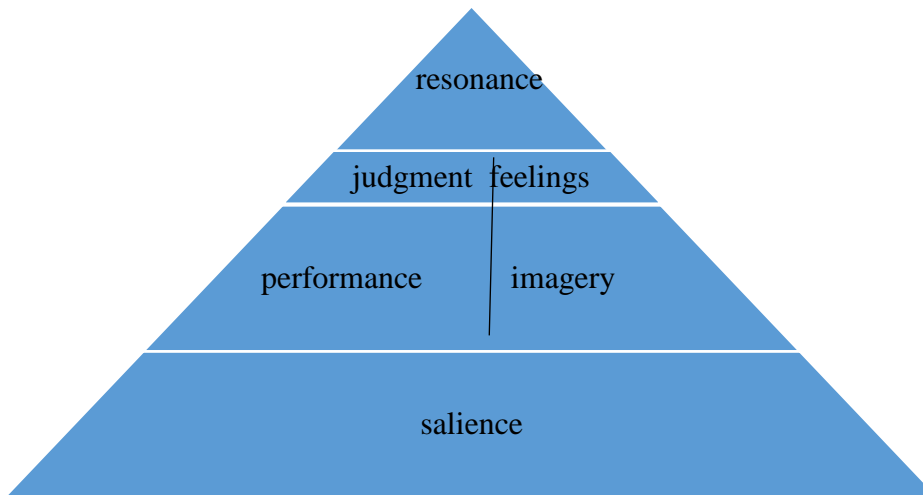
Brand awareness can be enhanced through various tools such as advertising, promotions, and banners among others. McFarlin (2016) highlights on customer acquisition, as a component of customer lifetime value. She states that the amount a company spends on acquiring customers (acquisition costs) through for instance advertising in raising brand awareness should be lower than the value that will be brought by the customer over his or her lifetime of doing business with the company. The author highlights the importance of acquiring customers through brand awareness strategies profitably.

2.2.2 Brand equity (customer based) and customer lifetime value.

Keller (2013) developed a brand equity model which he referred to as the customer based brand equity model. He stresses on how marketers should shape the customer's thoughts and feelings towards a brand. He highlights that strong brand equity makes customers more willing to buy. He developed a model with blocks namely brand identity, brand meaning, brand response and brand resonance.

In his brand equity model, it becomes clear that companies should look at brand awareness not only from the company's perspective but also from the customer's perspective. Knowing how customers view the company's brand equity helps in improving customer lifetime value, and in turn sales as the company (brand) knows exactly how to reach customers in an effective way.

Figure 1.2 – Keller's Brand Equity Model



From "Strategic Brand Management: Building, Measuring, and Managing Brand Equity" by Kevin Lane Keller. © Pearson Education Limited 2013

In his model Keller (2013) supports the importance of brand awareness as he explains it through brand salience. Keller defines brand salience as the customer's awareness of a brand. It answers the question, "who are you?" which aims to create a deep and broad brand awareness. In his salience level (awareness), he emphasises the need for brand identity and making sure that customers know your brand. A unique selling proposition will also help to narrow down the customers. FABS hardware can make use of a unique selling proposition to raise awareness of its brand. Brand awareness can be a useful tool in gaining or acquiring customers (customer lifetime value). When customers are aware of a brand, they recall it at the top of their minds and tend to consider it when faced with the need to buy related products.

Customers being aware of FABS hardware makes it an advantage as they turn to the brand for hardware material. In order to gain customers, firms have to strive to create an image in the mind of the consumer so that they become first preference when they are considered in a category. Brand awareness can greatly aid in customer acquisition for first time customers. New customers become more willing to try the brand because they know of its existence. Brand awareness also fosters brand association in building brand equity.

2.3.0 Brand associations and customer lifetime value

Aaker (2004) and Plank (2002), intellectualise that brand awareness must pave the way for brand associations, implying that, a consumer must be aware of a brand first so as to develop

a set of associations. Brand association comprises of the brand's strength, favourability, uniqueness and relevance. Campbell (2002), stresses on the importance of relevance in brand association when he mentions that, the brand associations that the practitioners should focus on are those that are meaningful and relevant to customers.

Keller (2003), regards brand association as the meaning individuals associate with a brand when they are exposed to their logotype, advertisement and name. The authors hold the same theory that brand associations are concerned with creating meaning to a brand, more of how consumers perceive the brand. Positive brand associations improve customer lifetime value. Brand associations enhance repeat purchase, customer retention and sales volumes as people are motivated to buy more or continue doing business with the firm.

In retail firms brand association can be linked to the brands stocked up by the firm, how they are stocked and priced. The aspect of shop order, and how products are clearly made easy to find, have a pivotal role on brand association.

The use of modern day communication such as Facebook pages plays a part in brand association. Customers need to be able to trust the brand as this helps in evaluating the brand. A good layout of products in a shop, particularly in a retail store has a positive impact on its brand association. This encourages continued business and easier shopping mainly in retail outlets like FABS. Erdem (2003) suggests that if anyone can easily find products in a store, and if they are sub-categorised by brand, it gives a favourable effect on brand association.

Lasser et al (2001) refers to brand association as the strength held by a consumer (favourable feelings) regarding a brand. Communication with customers and stakeholders has an influence on the brand equity of the firm, that is, brand equity tends to become stronger as customers get more positive experience, and this in turn adds to the reputation of the organisation. Aaker (2004) mentions that trust is another element of brand associations though he does not stress on its major importance as compared to other elements. Kinard and Capella (2006) sighted by Goi Chai Lee et al (2011) supports trust as an element when he states that, customers buy goods and services before experiencing them, fostering trust as a significant key to building customer relationships. An association is a direction towards the brand promise, if the associations are positive they are valuable to the brand building process but when they tend to be negative, it implies that the company should change or alter some activities.

Brand associations can be built through the creation of business profiles on pages like Bing Business Portal, Yahoo Local and google places, which will be shown in search results or

location-based social network services. Espending report (2004). Additions to the name are, physical address, Uniform Resource Locator (URL), phone number and hours of operation, supporting communities or social networks related to the company or related to issues that the company addresses.

Companies now use Facebook ads, twitter, coupons and other promotions to get to customers as marketing is becoming more customer oriented. This means that companies have to follow customers to get their attention. Companies have to put customer orientation into consideration when building brand associations, especially in raising sales through customer lifetime value. Knowing how customers associate with your brand fosters room for better brand building strategies.

Brand associations are mostly grouped into a product-related attribute like brand performance and non-product related attributes like brand personality and organizational associations. Aaker (2004) and Keller (2003) share the notion that customers tend to evaluate a brand not only by whether the brand can perform its designed functions but also for additional reasons that make the brand desirable over the competitors such as brand's physical product's flawlessness, brand durability and brand's fault-freeness.

According to Lesser et al (2001) customers develop sentimental value with certain brands, therefore it is important to ensure that customers build relationships with the brand through brand experience. A brand can help determine quality of an unfamiliar or new product just basing on the reputation of the brand name and its previous association with quality or durable products. Simmons (2007) supports that a brand evokes brand personality, presence and product performance in the mind of the consumer. The authors agree that brand associations speak volumes about brand quality and how the brand is perceived by the customer. Lesser takes it a step further by emphasising on relationships between customer and brand. Customers tend to form relationships with the brand enhancing customer lifetime value through customer retention and sales.

Aaker (2008) suggests that, the development of brand strategies is greatly influenced by brand associations. Aaker was adding on to his previous theory (2005) that brand associations have to be organized into meaningful groups which define brand positions. He claims that brands which are well positioned, present attractive associations.

According to Aaker (2008), brand awareness is supported by brand associations and also determined by consumers, which comes in the form of attributes or symbols.

According to Aaker (2008) there are at least nine brand associations. The associations convey either the concept, or the meaning of the product in terms of how it fulfils a customer's need. In today's highly competitive environment, a distinctive brand image is most important. As products become more complex and the market place more crowded, consumers rely more on the products' actual attributes in making purchase decisions. In his definitions, Aaker looks at brand association from a slightly different perspective where he does not mention the effect of sentimental value or attachment to brand associations. Rather, he focuses on brand position and attributes and their link to brand association.

Keller's customer based brand equity model (2013) in *Fig 1.2* above also supports the notion of brand association as a component of brand equity. He talks of a stage which answers the question 'what are you?' and this looks at strong, favourable and unique brand associations. These cover the blocks of brand performance and imaginary in his pyramid. He adds on that in brand association, imaginary is distinguishable through performance related considerations and functionality. Association is formed as a result of customer experience with the product or through advertisements and word of mouth information from others who have experienced the brand. A study on customer lifetime value shows that retained customers tend to spread information about a brand and its associations through word of mouth, the customers act as marketing instruments for the brand.

Keller (2013) goes on to say that brand associations come in the form of product characteristics and secondary features, product reliability, durability, serviceability, service effectiveness, efficiency, style, price, design, ease of purchase and history of the brand. He touches on many aspects that can be used to measure or stand for brand association in the minds of the consumers. In the researcher's view Keller's definition of brand association is applicable to the case of FABS hardware though it leaves out some components that are essential mainly to retail sectors. Brand association in retail industry can be driven by shop layout (space available for conducive shopping), product categorisation, product availability, product assortment, types of brands stocked, stocking consistency as well as services delivered by the employees, Authur W. Allaway et al (2011).

Brand associations can entice back a customer to stay, spending more on special offers and customer awards. Creating value for the customer aids in customer retention (McFarlin (2016). The retention costs must also be figured into equity and overall value of a customer. This increases customer lifetime value and sales volume.

2.3.1 Customer lifetime value through customer retention

Customer retention has been defined and explained by many authors, mostly being referred to as an element of customer lifetime value. White (2006) believes that to maintain success, relationships with customers must be built, explaining that customer retention schemes are meant to build long-term relationships with customers. Customer retention focuses on maintaining and enhancing existing relationships with customers rather than attracting new ones. The authors focus on the importance of relationship management, maintenance and long-term success which is achievable through brand value and equity. The cost of retaining customers is far much less costly than that of acquiring them. It therefore becomes a company's priority to retain customers through brand equity.

The more a customer stays with a company, the more they are likely to buy and enhance sales. Customers who have had positive associations with the brand tend to engage in repurchase of the same brand. They tend to come back again to experience more of the good brand. Brand associations encourage customer retention and higher customer lifetime value, as consumers tend not to shift and keep considering the brand when faced with a situation that requires the brand's products or services.

One of the other ways by which brand association improves sales volume is through customer lifetime value's relationship management. Customer relationship management involves acknowledging the relational and social aspects in business. This mainly applies when delivering services, and it has been discovered that managing customer relationships can increase customer retention for companies. Relationship management occurs when firms can take a long-term perspective, rather than a transactional perspective to managing their customer base. However, not all long-term customers are profitable as some short-term or momentary customers may bring in greater sales and profits than retained ones. As a result, firms must develop a plan or framework to manage profitable and non-profitable customers, Kumar et al (2003).

Managing relationships with customers may influence them to stay longer with the brand and buy more as they perceive that they are valued. The creation of bonds can foster positive associations with the brand and at the same time help in spreading goodwill for the brand. Relationship management gives room for personalisation and customization which aids in retaining customers as well as repeat purchase. The customer will associate the brand with being able to deliver great customer service and having the customer at heart thereby improving on their customer lifetime value. Villas (2004) postulates that personalisation aims at finding

out which products or services individuals are willing to purchase and then try to boost sales by tailoring them to customer specifications. The author focuses on personalisation as a good boost for sales of a company and its importance on repeat purchase. FABS ability to foster relationships can be influential in customer retention and in turn customer lifetime value.

2.4.0 Brand loyalty and customer lifetime value

Beneke and Zimmerman (2014) state that brand loyalty as the holy grail of brand equity is the attachment of a consumer towards a brand even after changing the price or product features. Reichheld (2006) adds on by defining brand loyalty as the extent by which a consumer constantly buys the same brand within a product category. Loyal customers believe that the brands they buy are more superior and satisfactory as compared to other brands. Another author Beatty (2002) supports this by referring to brand loyalty as the extent of the faithfulness of consumers to a particular brand, expressed through their repeat purchases, irrespective of the marketing pressure generated by the competing brands. It reflects on the faithfulness and repeat purchase of customers of that particular brand. When customers constantly buy or are faithful, this increases sales and profitability for a firm. Customers' loyalty to a brand reflects directly on their lifetime value, as they continue to buy from the brand increasing sales volume and in some cases, profitability.

According to Giddens (2002), brand loyalty implies that customers pay a high price to a particular brand in the same product group, and advise that brand to other people surrounding them. FABS hardware has customers who are loyal to the brand and others that are conditionally loyal. Odabasi (2011) sighted by Aysel Erci et al, went further to group brand loyalty into divided and undivided (full loyalty). He classified them into (a) affective loyalty, where customers adopt to the brand in an emotional manner and are not concerned with alternative brands, showing willingness to purchase the same brand in the future, (b) continuance loyalty, which is a weaker type of loyalty which is evidenced by consumers easily shifting to other brands in case of more attractive offers. The author narrows down on the subject of brand loyalty bringing in a deeper understanding, as other authors do not break it down.

It is essential for a firm to build brand loyalty through brand awareness, association and perceived quality so as to reduce customer defection.

Reduced customer defection significantly reduces marketing activity costs, reduces a negative toll on sales volume as well as customer lifetime value. Customer defection can simply be

expressed as brand switching. Zaltman (2003) says that customer defection occurs when an unhappy customer decides to stop hire or purchase of your service or products and decides to find other suitable alternative that satisfies needs which your organisation failed to deliver. It becomes a cause for concern for a firm to make it its priority that the switch does not occur easily.

A relationship must be built with the customer, in retail this can be achievable through after sales service like delivery or credit account creation. From the definition of brand loyalty by Zimmerman, when a customer is loyal, slight changes in price or features will not make it easy for a customer to switch brands. When customers become disloyal and switch brands, it reduces sales levels for a company as well as profitability. The value that a customer brings to a company or brand significantly diminishes.

According to Reichheld (2006) brand loyalty is the extent by which a customer buys the same brand within a product category constantly. Mohan (2007) puts his views by defining brand loyalty as relative possibility of customers shifting to another brand (customer defection) in case there is a change in product's features, price or quality. Reichheld looks at brand loyalty from the repeat purchase side while Mohan looks at it from a slightly different angle of brand switching. Their views come back to the issue of reduced customer lifetime value, if there is a lack of brand loyalty.

Aaker (1991) sighted in the European Institute for brand management (2009) defines brand loyalty as the extent by which consumers are loyal to a brand. He adds on that brand loyalty has the advantage of reduced marketing costs since maintaining loyal customers is easier and cheaper than acquiring new ones. Brand loyalty comes with trade leverage as loyal customers present a stable revenue source for distributive trade. Loyal customers boost profitability for a firm. Customers who are loyal to the brand can also be used to attract new ones through sharing their experiences thereby raising brand awareness. He also suggests that brand loyalty makes it relatively longer for customers to respond to competitor activities implying longer time to switch brands. This gives the company ample time to respond to competition's threats. Basically, he stipulates the benefits of brand loyalty though the company may fail to respond quickly to the competition's activities.

According to Keller (2013) in his model in *Fig 1.2* the most important phase in brand equity is the phase of brand resonance. This phase in brand equity (customer based) matches with the stage of brand loyalty. He stipulates that the brand resonance stage is achieved when all other

blocks have been achieved. At this stage customers become loyal to the brand and try by all means to interact with a brand as well as share the experiences they have had with the brand, with their colleagues and social networks. The ability of a firm to achieve brand resonance entitles it to benefits associated with brand value such as high market share, increased customer lifetime value and price premiums. It is difficult to achieve brand resonance, making it the most desirable level as customers form a psychological bond with your brand. This brings about customer loyalty to the brand.

Keller goes on to break brand resonance into the following:

- Behavioural loyalty which encompasses repeat buying or purchase.
- Attachment based on attitude: customers like the brand or product and consider it as a special purchase.
- Sense of community: customer feels a sense of belonging or community with other people who are associated with the brand, that is, company employees and other customers.
- Active engagement: it is the highest level of loyalty to a brand, whereby customers actively engage with a brand even when they are not purchasing it or consuming it. Customers may take part in marketing rallies and events, brand following on social media platforms like Facebook and twitter, or participating in other outside activities.

Keller (2013) goes on to explain the importance of strengthening each category of the resonance stage (loyalty). This includes giving gifts when someone purchases, customer loyalty programs, hosting events and inviting customers so as to encourage customer involvement with the brand, among other activities.

2.4.1 Brand loyalty and customer lifetime value through satisfaction

Brand loyalty entails that customers are willing to stick to a brand as long as it continues to satisfy their needs. It becomes crucial for the company to continuously build its brand so as to minimize brand switching especially in retail industries where the cost of switching brands is relatively low. If brand switching does not occur there is some level of positivity on customer lifetime value. According to Kotler and Keller (2006), customer satisfaction is derived pleasure or satisfaction which occurs as a result of comparing a product's perceived outcome or performance against own expectations. Schiffman and Karun (2004) sighted by Janet Manyi Agbor (2011) define customer satisfaction as the perceptions held by an individual on the

performance of a product or service in regard to his own expectations. The authors share the same notion that satisfaction is more of perceptions and expectations. It is qualitative in nature.

Levy (2009) goes on a further step to explain how customer satisfaction can be measured. Satisfaction can be measured through talking directly to customers, focus group discussions to know the thought of customers as well as surveys to get feedback transformable into measurable data. The National Business Research Institute sighted by Janet Manyi Agbor (2011) measures customer satisfaction differently through price, quality of service, problems or complains, trust in employees, positioning in client's mind, speed of service, closeness of relationship with customers among other variables. The authors share different views on how to best measure customer satisfaction.

Customer satisfaction tends to increase customer retention and loyalty, The International Customer Service Standard (2009). Customer satisfaction affects loyalty. A satisfied customer is likely to repeat purchase and continue doing business with the company or brand, increasing their lifetime value. The likelihood of shifting or switching to other brands is reduced. Creating brand loyalty therefore reduces brand switching or customer defection. Butcher, Sparks and O'Callaghan (2001) study the implications of service-encounter satisfaction, perceived core service quality and value for money on psychological loyalty. They also look at loyalty in regard to relational aspects, namely, friendliness, social regard and social comfort. Their findings show that there is both direct and indirect relationships between loyalty and relational aspects. The effects of satisfaction, quality and friendship are also important to the development of loyalty.

2.4.2 Brand equity, customer lifetime value and customer flow.

According to Keller (2003) and Papu et al (2005), many brands and companies are now adopting marketing and sales activities to boost customer flow and profitability through personalized approach whether operating in the era of e-commerce or retail sector. Farquhar (2009) defines customer flow as the number of customers who come to the store with the aim of buying or purchasing, inquiring, price taking or gathering information about availability of brand. Ryans (2007) further went on to say that customers are "termed animals who respond to the ringing of a bell". He suggests that customers come to a store they have recognised through brand awareness, promotional tools as well as location descriptions. Brand equity elements play a vital role in customer flow as they facilitate information dissemination through sales promotions, advertisement and word of mouth. Customer lifetime value elements like

acquisition and retention also facilitate customer flow as customers tend to come in large numbers to get the brand's products.

2.5 Perceived quality

Another crucial element of brand equity is perceived quality. According to Fredrich (2000), the first rule to delivering good service quality is to do the right thing from the beginning or the very first time. Farquhar (2009) adds on that retail companies offer service delivery not as a main line of business but as a support service to entice and satisfy their customers. Companies that practise the culture of zero defects are motivated to provide their customers with quality services time and again, as they have a full understanding on the lifetime value of a customer. Support services offered by a brand or organisation can also help in the way customers perceive the quality of a brand.

According to Kotler (2009), perception the process by which one selects, organizes and interprets information to come up with a meaningful image. He believes that perceptions are more important than reality in marketing, because perceptions affect customer behaviour. Selective attention, selective retention and selective distortion are the three perceptual processes that can cause different individuals to come up with different perceptions.

Although personal interaction represents a major part of service provision, only a few studies have examined the combined effect of perceived service quality, customer relational benefits, and customer perceived value. This may be attributed to the measurement of psychological, and behavioural, loyalty. According to Wiertz (2006) there are three service attributes, namely, service delivery which looks at the expertise of employees, service product or customization, and the service environment which focuses on design and atmosphere of the service landscape. The service provider's contact (attitude and friendliness), knowledge and ability to assist, environmental elements such as symbols, ambience and art also play a part in service delivery and perceived quality.

Perceived quality is highly related to the performance of a company and sales volumes, as it is a strategic variable. According to Aaker (2003), perceived quality enables a company or brand to charge higher prices as the brand's products are highly opted for, or preferred. Provision of quality goods reduces defects, re-dos and costs associated with manufacturing. The idea that perceived quality originates from a customer, makes the issue a bit complex for the brand. Yoo and Donthu (2001) state that, the dimensions that determine perceived quality are situational and they regard quality as being greatly important.

2.6 Chapter Summary

The chapter looked at brand equity elements of brand association, brand awareness, brand loyalty and perceived quality and their implications on customer lifetime value. Literature was shown on the objectives of the research, that is, the effect of brand awareness on customer lifetime value, the effect of brand association on customer lifetime value and the effect of brand loyalty on customer lifetime value. The literature was supported by views from other authors who conducted researches on areas related to the subject matter under study. The next chapter will focus on data collection methods used by the researcher.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter focuses on the steps and procedures which were used when collecting data by the researcher. It gives a detailed explanation on the research design, research instruments, data collection procedures as well as data analysis tools which were used in the research.

3.1 Research Design

A research design is a detailed plan used to give direction in the implementation of a study towards the realisation of the research's objectives. Leedy (2003) refers to it as a map or framework that gives direction on the marketing study effort. The plan gives the research approach, sources of information and sampling procedures to be followed in collecting information as well as analysing the data.

In this study, the researcher used descriptive and exploratory research designs.

3.1.1 Exploratory Research

Exploratory research is the initial research undertaken to get an insight and knowledge about the problem area in question and is qualitative in nature. Exploratory research design required a qualitative approach which allowed the researcher to compare researches from different sources. Kumar et al (2005) states that exploratory research design is used when trying to understand the problem, identifying variables that need consideration as well as possible solutions. The researcher used exploratory research in collecting data through conducting interviews with the managerial team at FABS hardware, group discussions with employees and analysis of secondary data. This helped to conduct an analysis on the impact of brand equity on customer lifetime value.

3.1.2 Descriptive research

Hair, Bush and Oninau (2003) states that, "descriptive design uses a set of scientific methods and procedures to collect raw data and create data structure that describes existing characteristics of a defined target population or market structure". The researcher used descriptive research to gather quantitative data. Descriptive research design was used to ensure that all areas of brand loyalty, brand association and brand awareness were covered thoroughly. The research enabled the researcher to know how brand awareness affects customer lifetime value. It also looked at the implications of brand association on customer lifetime value, as well

as the effect of brand loyalty on customer lifetime value. The research design enabled access to current information on the company's brand equity and customer lifetime value. The researcher made use of questionnaires addressing the; who, where, how and when of the research problem. The information was used to describe the association between the variables of brand equity and customer lifetime value.

3.2 Targeted Population

Hair et al (2003) defines target population as an identified group of elements to which observations can be done or questions directed in order to achieve results. For the case study the target population consisted of FABS managerial team, sales team and the delivery team as these are the ones who have the leverage to communicate directly with customers on a regular basis. The customers surrounding Westgate were mainly used though some regular distant ones were also be put into consideration. This included customers within and outside Westgate complex in Harare.

3.3 Sampling Techniques

Kotler (2004) defines a sample as a process in which respondents are chosen. Hair et al (2003) describes a sample as the selection of a small unit of elements from a larger defined group of elements to ensure that information gathered will give room to make a judgment. It is easier to use a sample than targeting the whole population for this research, as information will be difficult to gather and administer. Sampling is also time saving and less costly. The researcher used the non-probability sampling method to carry out this research, namely convenience sampling and judgemental sampling.

3.3.1 Convenience sampling

The convenience sampling method is a non-probability sample selected from readily available respondents. Convenience sampling is a statistical tool or method of drawing representative data by choosing people (target) basing on their availability or ease of volunteering. The sample units are selected if they meet certain criterion, such as, availability at a certain time, ease of access as well as geographical proximity to the area under study. Researcher will use her knowledge in choosing sample units. Selection criteria involves giving questionnaires to anyone who enters the store. The technique was chosen because it is relatively easy to administer and is prone to less bias.

3.3.2 Judgmental sampling

The researcher used judgmental sampling in determining sample elements for staff and management. Judgmental (purposive sampling) is non-random sampling which entails the

researcher using her own judgement to select a sample. It enables the researcher to choose a sample that delivers the best information so as to satisfy research questions and objectives. This criteria made management to qualify.

3.3.3 Sample framework

All management personnel and staff were used as the sample framework. Customers who entered the shop were also treated as sample elements. Harare has a population of approximately, 4.3million. For this research, only one branch will be used (Westgate area) with a population size of approximately 2000 people.

3.3.4 Sample size

According to Hair (2003) samples are small portions of a total number or subsets which can be put under study and are usually a small number extracted from a large population with the purpose of testing and analysing on the assumption that chosen sample is a good representation of the whole population. It is assumed that the chosen sample holds the same characteristics with the whole population. Wright (2000) pointed out that for a small population of interest, you would most likely need to sample about 10-30% of that population; for a large population of interest (over 150,000), you could get by with a sample as low as 1%. According to Sekaran (2000), sample sizes larger than 30 and less than 500 are appropriate for most researches, therefore the one hundred and six sample size is justified.

Table 3.3.4 Sample size for research.

Group	Population size	Sample size
Customers	2000	100
Management	6	6
Total	2006	106

3.4 Research instruments

The research used questionnaires, interviews and observations. Management was consulted for interview appointments.

3.4.1 Questionnaires

Kotler (2003) defines a questionnaire as a document containing questions designed to solicit or provide information appropriate for investigation and analysis. The researcher's questionnaires were designed so as to find what made customers loyal to FABS hardware, to determine the level of brand awareness in customers, to find out their reason for purchasing at FABS, their association with the brand and their opinion on the company's image.

Questionnaires were used because they saved time and were distributed to a lot of people all at once. The questionnaires provided a guideline to customers on the main issue of concern. Questionnaires were structured in a way that gave respondents options and guides on how to respond to questions and also gave them room to give their own thoughts. The questionnaires contained mainly closed ended questions. This was done to ensure easy and quick filling of questionnaires and to give a guide on the most important aspects.

The structured questions that were used, helped in simplifying the statistical process. The structure of questions varied with the questionnaires depending on who it was meant for. The structured questions forced respondents to select from a list of given alternatives. Structured questions were time saving and gave room for wider geographical coverage and respondents got to fill in questionnaires at their own speed. The questionnaires enabled data collection maximisation.

The closed ended questionnaires helped in coming up with quantitative data and aided respondents in quicker decision making by giving them a variety of already available answers to choose from. Questionnaires were easy to administer since most respondents were familiar with them. They were also preferable as they entitled the respondents to secrecy which made people more willing to respond and also give less biased and honest answers. Respondents preferred closed ended questionnaires as they are faster to fill in leaving more time on their hands for their daily activities. It enabled easy coding and analysis of information. The questionnaires were distributed and the researcher waited patiently for the respondents to answer questions before gathering the questionnaires.

3.4.2 Interview

O'Leary (2004), defines interviewing as a method of data collection that involves respondents basically answering open ended questions. The researcher administered interviews for management and staff only. Close ended questions were used to gather data on management on how brand equity element such as awareness, loyalty and association has affected customer lifetime value for FABS hardware. The researcher used this method on management and staff as it ensured quicker feedback.

3.5 Data sources

Bryman & Bell, (2007) state that data collection can be distinguished between primary and secondary data. The former one is directly obtained by knowledgeable individuals through interviews and questionnaires, while secondary data originates from already published research conducted by third parties.

3.5.1 Secondary

According to Bryman and Bell (2007), secondary data is data collected for another purpose other than by the researchers, on such occasions. In this study, the researcher made use of secondary data; mainly from customer books, library research, and past sales and annual records so as to help analyse and understand the implications brand equity has on customer lifetime value. The researcher also used FABS hardware branch data base to get an estimation on customer population.

3.5.2 Primary

The primary data for this study was also gathered using qualitative interviews. The researcher used qualitative interviews to gather the data that is related to the subjective opinion of the employees who are in direct contact with customers in the company, on the effect of brand equity and its implications on customer lifetime value. Also questionnaires were used to gather primary data from customers. This method was used by the researcher as it helped to gather first-hand information on customer's perceptions on brand equity at FABS hardware.

3.6 Data collection procedures

A total of 80 questionnaires was distributed to customers, and 8 management and staff were interviewed. The researcher issued out questionnaires to customers at any point in and around FABS hardware in the Westgate area. The questionnaires for customers were carrying instructions to return once completed so as to ensure that all questionnaires were collected at the day of the research gathering period. The questionnaires were then collected at the payment point at FABS hardware Westgate.

Interviews were conducted through using appointments to collect data from management respondents. The procedure started by talking to them face to face informally and then introducing the purpose of my study, fostering an appointment for a formal interview. The researcher then made it a point to follow the appointed date and do interviews in the office with each manager and staff one at a time. Each interview lasted for at least 10 minutes and the researcher asked questions that were written on the interview guide. Answers were written on a separate answer sheet or book by the researcher.

3.7 Ethical considerations

Ethical considerations were observed. Participants were informed about the nature of the study, its objectives and how they were to participate. Participants were also told that they had the right to withdraw from the study if they felt they are no longer comfortable with the study. This was part of the informed consent. More importantly, participants were assured of secrecy and confidentiality.

3.8 Validity and Reliability

Verification was also done to ensure that all questionnaires are legitimate. Questionnaires were critically analysed to check completeness, consistency and legibility and making the data ready for coding. Unsatisfactory parts of the questionnaires were discarded, this was done through pre-testing questionnaires to check if the responses would be diagnostic and if questions were feasible. This was done on all obtained information to reduce the room for errors. The research project was designed to ensure that the results are valid and reliable.

3.9 Data analysis and presentation

The researcher used Microsoft excel package to sort, analyse and tabulate the raw data that was collected. The researcher used graphs, pie charts, percentages and tables to present the data. The data obtained from questionnaires was tabulated to show how many respondents had answered positively or negatively to research questions asked.

According to Aaker (2001), tabulation consists of simply counting the number of cases that fall into various categories. Each question was analysed and then measured to determine the empirical distribution of variables in question. Calculation of the descriptive summary to include statistical, particularly in mean and percentages was made.

Micro soft excel in windows (2013) was used to construct and to present data gathered inform of tables and charts.

3.10 Chapter Summary

The chapter gave a detailed outline of the research methods employed by the researcher. It showed how information was obtained and how research objectives were addressed. It outlined the research design, target population, sampling techniques, and the data collection methods and procedures. Chapter four will look at presentation of data, analysis and discussion of findings from the research conducted.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND DISCUSSION OF FINDINGS

4.0 Introduction

The chapter focuses on presentation of data that was collected from questionnaires and interviews which were distributed to employees at FABS hardware as well as customers. The primary data collected, as was previously discussed in chapter three above, was presented, analysed and discussed in detail. The chapter does not only present collected data but analyses findings on the effect of brand equity and its implications on customer lifetime value for FABS hardware. The researcher used tables, graphs, charts and figures for data presentation.

4.1 Response Rate

The researcher had a total population for Harare of 4.3 million, but focused on one branch, (Westgate area) which had a population of 2006. Population comprised of 2000 customers and 6 management and employees. Sample size used was 100 of 2000 and all staff and management, giving a total of 105units. Response rate from questionnaires was presented in the table below:

Category	Total Questionnaires distributed	Questionnaires Returned	% Response Rate
Customers	100	81	81
Management	6	6	100
Total	106	87	82

Table 4.1 Response Rate

From the distributed questionnaires, there was an 81% response rate from customers and 100% response rate from management. As shown in the table above, the response rate on questionnaires was relatively high with a percentage of 82 total average. The relatively high

response rate could be attributed to the fact that the subject matter of brand equity and customer lifetime value was of interest to the respondents, hence their willingness to participate. The response rate is acceptable basing on Aaker (2001), who states that adequate conclusions can be administered for a research topic if the response rate is above 50%. This makes the 82% response rate satisfactory. 18% of the customers who failed to respond to questionnaires did so because of time factors as well as personal commitments. All staff and management were cooperative and responded to questionnaires and interviews. FABS hardware workforce was eager to participate in a research that would help increase its customer lifetime value. The researcher analysed the available data for the study.

The research sample size consisted of people from different age groups and sexes. The respondents for customers comprised of 54 male respondents (67%) and 27 female respondents (33%). The involvement of both male and female respondents is an indicator that the researcher was not gender biased when sample was selected. The difference in the number of male respondents and female respondents was attributed by the fact that mainly males were concerned with hardware products and actually occupied those positions requiring hardware material, for instance plumbers, carpenters, painters, pool cleaners and builders.

Age group was also considered in the research so as to know the customer base and determine suitable strategies for brand equity. 18% comprised of those below 20years, those ranging from 21-30 years made up the majority of the sample with 42%, 26% of the sample was made up of those ranging from 31-40 years, while those above 40years made up 14% of the sample. The age group of 21-30 made the majority, which might be because this is the age group at which most people actively seek employment in the case of builders, painters and plumbers. Those above 40 are usually the retired and high income earners who require some hardware gadgets for their homes and renovations. The age groups of the sample size can be represented in a pie chart as shown below:

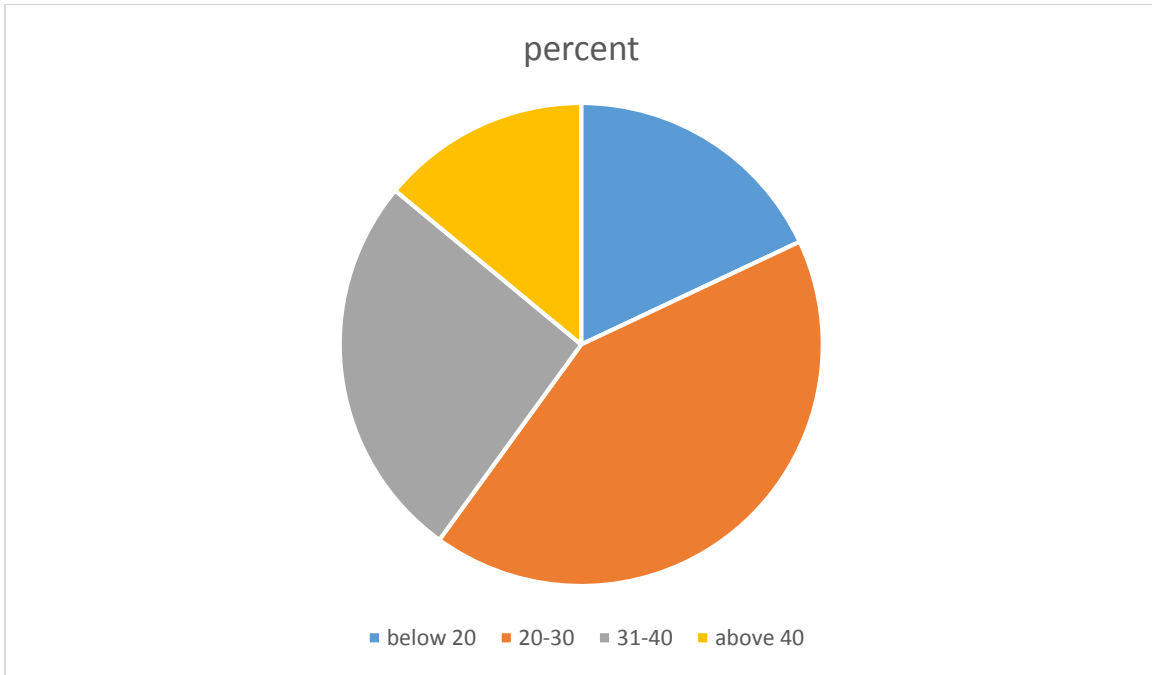


Fig 4.1.2 Pie Chart for age groups of respondents

4.2 Brand awareness and customer lifetime value

In an attempt to find out information on FABS hardware’s brand awareness, the researcher asked questions on how the respondents came to be aware of the brand’s existence at Westgate shopping mall. The results are presented in the graph below:

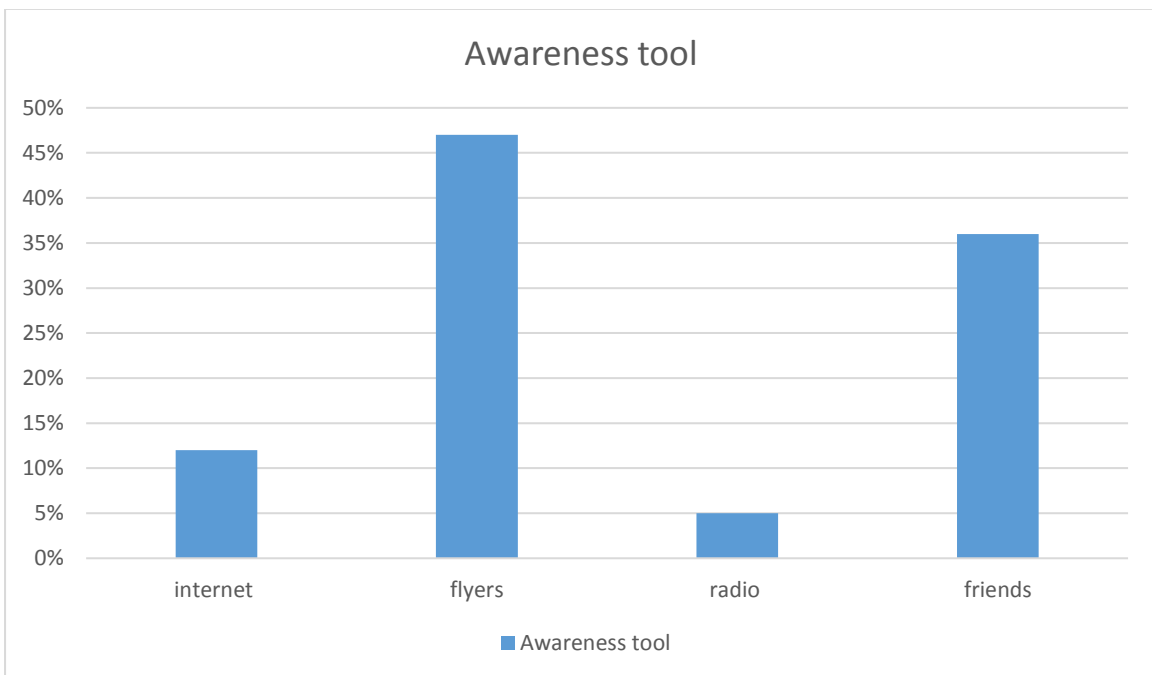


Fig 4.2.1 Presentation on awareness tools which motivated purchase

The marketing communication tools used aided in raising awareness as well as acquiring customers, a component of customer lifetime value. From the responses on the questionnaire, the researcher discovered that 12% of the respondents knew about FABS hardware from the internet, 47% from distributed fliers, and 5% from the radio while the remaining 36% became aware of the brand through friends or relatives (word of mouth). The percent for the radio was very low because the adverts were done long back and most people have forgotten about it. From the responses, it also appeared as if most people were not aware of the company webpage and the page was inactive. Word of mouth proved to be the strongest communication tool for the brand.

The researcher gathered information about the brand image through symbols by asking if their buying decisions had been influenced by knowledge of company logo, colour and symbols. This was based by the notion by Ross (2001), that symbols are the processes by which companies make themselves known through posters, billboards and other signs that represent the company's name, logo, corporate colour and location. From the information gathered, 43% of the respondents, claimed to have been aware of the company symbols while the remaining 57% were not aware of the brand symbols before they became customers to the brand. This was an indicator on the level of symbol acknowledgement by customers, as the majority did not know. It showed that the brand's symbols were not strongly visible to the customers.

Information was also gathered on brand recall, whereby the customers were asked if FABS was 'a top of the mind' brand in hardware material. This was done to help determine the level of awareness in customers. This was based on the notion that a strong brand has high levels of recall in the mind of the consumer. The findings can be shown in the graph below:

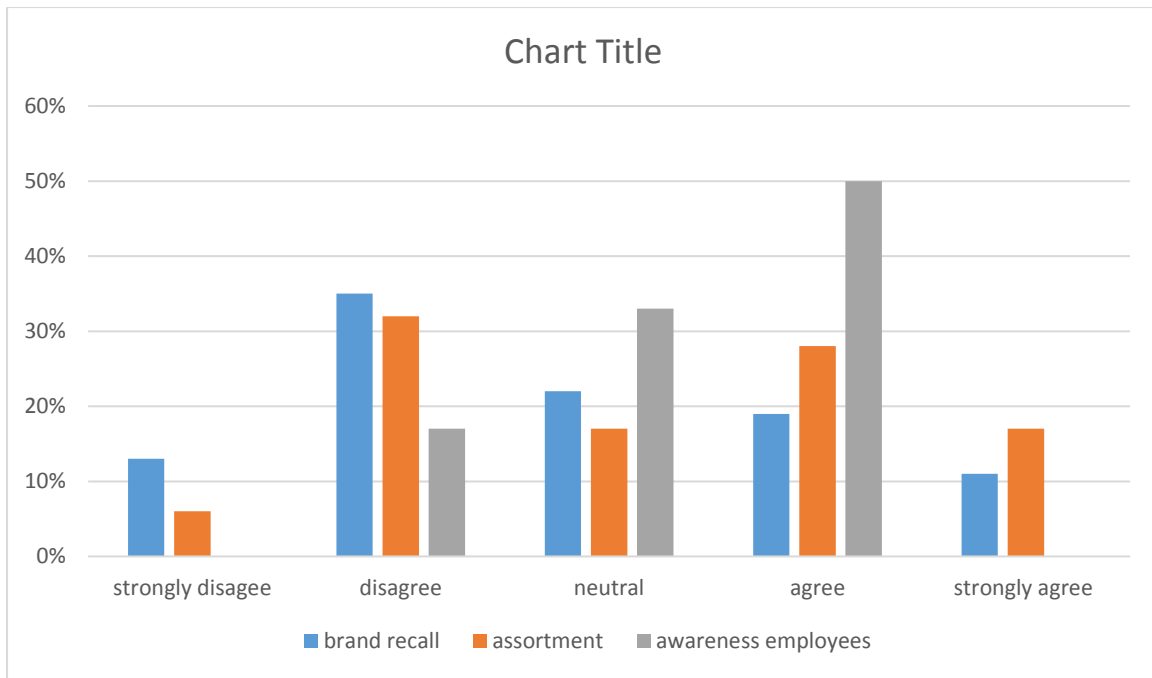


Fig 4.2.2 table on brand awareness

The researcher gathered that 13% of the respondents strongly disagreed recalling the brand first, 35% disagreed, 22% were neutral and indecisive about the issue, 19% agreed to recalling the brand first while 11% strongly agreed. From the findings from customers on FABS hardware’s brand awareness, it seems as if the level of awareness is relatively low. In some cases it was sufficient to acquire customers and increase sales and lifetime value, but to a greater extent, it proved to be insufficient as brand awareness was low.

Basing on responses from employees on the issue of brand awareness shown in **Fig 4.2.2**, 17% disagreed that most people became aware after brand launch, 33% were neutral while 50% of the employees agreed. A fraction of the employees believe that the brand launch was not as effective as they had intended it to be. This may have been due to limited use of promotional tools and platforms used. Most of the employees also disagreed (60%) that customers preferred their products as compared to competitor products, while 40% agreed. The agreement may have been due to the customers acquired by FABS hardware after the awareness launch as well as the customer lifetime value contribution. Some people still not knowing of the brand’s existence is another contributing factor to the disagreement by employees.

From the interviews conducted, data was also gathered on the subject matter of brand awareness and its implications on customer lifetime value. Management believed that brand awareness strategies had helped in acquiring customers but not to the level they had expected. The brand was acquiring customers at a very low rate, especially in the “projects department”

where they do B2B marketing operations. The costs they incurred in acquiring customers ended up not being covered by the value brought in by the customers. The firm ended up not branding products like before (carriage bags, grain bags, pens etc.) as they felt it was costly. This however affected the company's brand awareness level. Basing on these findings, FABS brand awareness strategies were not sufficient to increase customer lifetime value and sales, evident by the acquisition rate experienced by the brand.

4.3 Brand association and customer lifetime value.

In an effort to get information on brand association and customer lifetime value for FABS hardware, the researcher asked employees questions on whether fostering relations had been beneficial in improving brand associations as well as encouraging repeat purchase. The brand association elements used can be supported by Allaway et al (2011), who stipulate that for a retail organisation or supermarket, associations come in the form of shop order, service delivery, assistance by employees, brands stocked as well as relations formed. As shown in *Fig 4.3.0* below, 40% of the employees disagreed by 60% agreed.

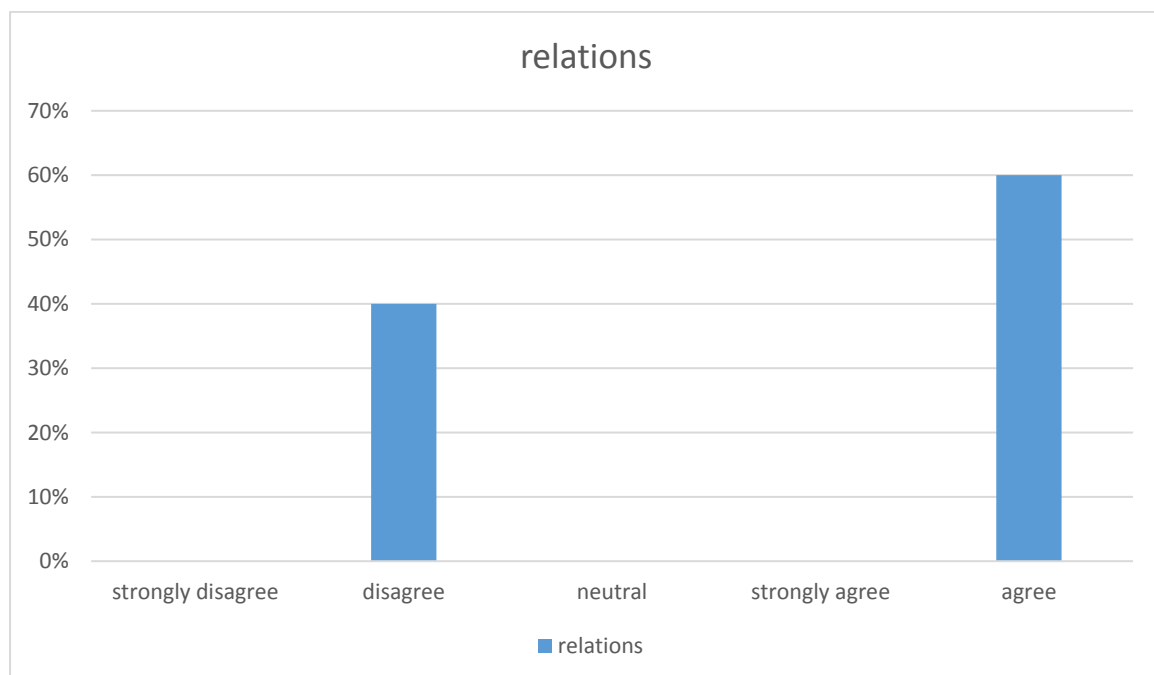


Fig 4.3.0 graph on relationships

The percentage of those who disagreed is an indication that some employees have not been equipped with the knowledge of how important relationships are to brand associations, and customer lifetime value.

Employees were asked various questions on brand association components for a retail company. When asked if their product portfolio met customer needs and enabled customer retention, which is essential in customer lifetime value, the majority of the employees agreed with an 83%, while 17% disagreed. This shows that brand association in terms of products offered was satisfactory and above average. When asked about perception, 67% believed that the brand was good while 33% regarded it as bad. Service delivery was also used as a measure of brand association, so as to find out about efficiency. A total of 67% of the employees agreed to have received complaints from customers on poor service, while 33% did not agree. Usually the poor service comes in terms of late delivery services and lack of knowledge on the part of employees when assisting customers. The findings were represented below:

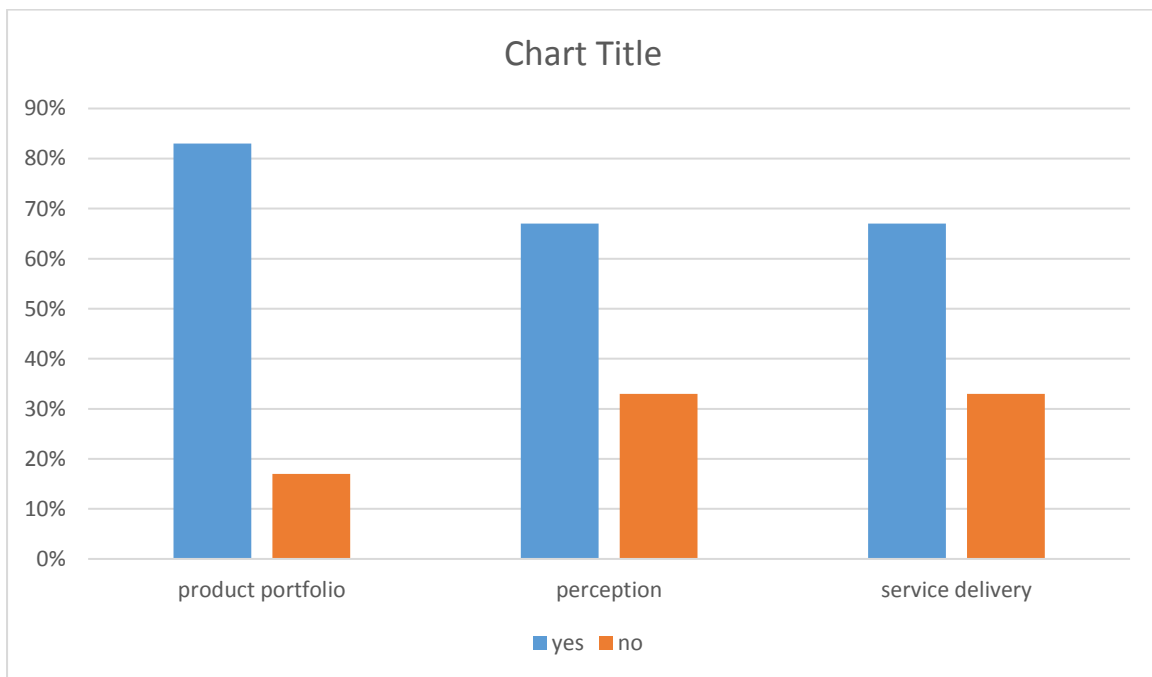


Fig 4.3.1 Graph on brand association from employee perspective.

Since brand equity and customer lifetime value involves both the company and customers, the researcher saw it fit to also get customer views on brand association. Customers were asked if product assortment by the brand met their needs and if it encouraged them to buy again. The results varied; where 6% strongly disagreed, 32% disagreed, 17% were neutral, 28% agreed and the other 17% strongly agreed. The differences were based on the fact that, people looked for different commodities, some found them, while others did not.

Customers were asked on their perceptions on service delivery and if they would continue to do business with the brand. 62% of the customers thought the service delivery was not good while 38% were satisfied with the delivered service. In an effort to get information on customer lifetime value, the researcher had to get an insight on whether they would continue doing business with FABS. 52% of the respondents agreed that they would stay while 48% would not stay. From the findings it showed that some of the disgruntled customers were still willing to do business with the brand even though they did not hold strong associations towards the brand.

The respondents also managed to express their views on FABS hardware’s reliability and effectiveness. 47% of the respondents regarded the brand as being unreliable and inefficient, while the other 53% believed that the brand was efficient and reliable, such that they were satisfied. The results show that there were some customers who were not served efficiently. Satisfied customers usually stay with the firm and buy again. The results were clearly presented in the graph below:



Fig 4.3.2 customer views on brand association elements.

From the findings on service delivery from both customers and employees, both teams agree that there is need for improvement in service delivery by the brand. This has had a negative

effect on brand association as well as customer lifetime value, because sales reduce when other customers tend not to buy from the brand and shift their business elsewhere. There is need for FABS to work on its brand associations.

The researcher conducted interviews to try and get more information on the issue of FABS hardware's brand associations. Management gave responses on brand association when interviewed. The researcher gathered that FABS hardware was mainly associated with stocking or providing high quality, durable and original products and brands. This has been the main brand association for the hardware and the company had made it a policy to adhere to this over the years. The hardware was also associated with relatively high prices but this had never had a negative effect on sales and customer lifetime value until 2014 to date. The results from the interviews showed that FABS brand associations had weakened as customers constantly complained about product price, shopping space and product assortment. Customers were reported to have complained about service delivery and being let down on many accounts by stock availability and stocking inconsistency.

Management agreed that the brand associations had caused some customers to leave the brand and start shopping elsewhere. The researcher analysed that brand associations had indeed negatively affected customer lifetime value, through customer switching and reduced sales, which are necessary to boost customer lifetime value.

4.4 Brand loyalty and customer lifetime value.

In an effort to find out the effect of brand loyalty and its implications on customer lifetime value, the researcher asked employees if they regarded customers who were loyal to the brand to be profitable or not. The employees held different perspectives on the issue of brand loyalty. The findings indicated that the results were split in half, with 50% in agreement and the other 50% in disagreement as indicated in *Fig 4.4.1* below.

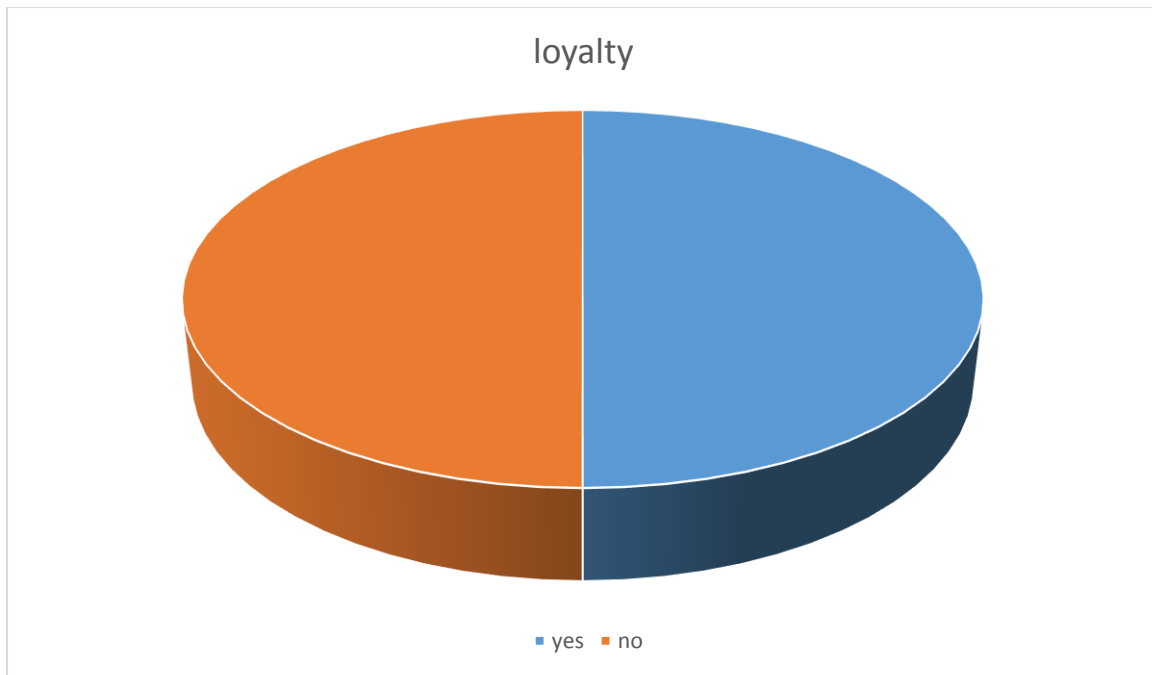


Fig 4.4.1 pie chart on loyalty basing on employees

This may be due to how employees regard profitability as it can be in monetary terms or non-monetary terms (for instance, marketing instruments). Some loyal customers tend to be profitable while others are loyal to the brand but not profitable to the organisation. This might have been due to the reasons guiding their loyalty to the brand.

The researcher also asked customers questions on the issue of brand loyalty and customer lifetime value. The customers were asked if they bought products from FABS whenever they needed hardware material, as well as if they were loyal to the brand. The findings are as shown below:

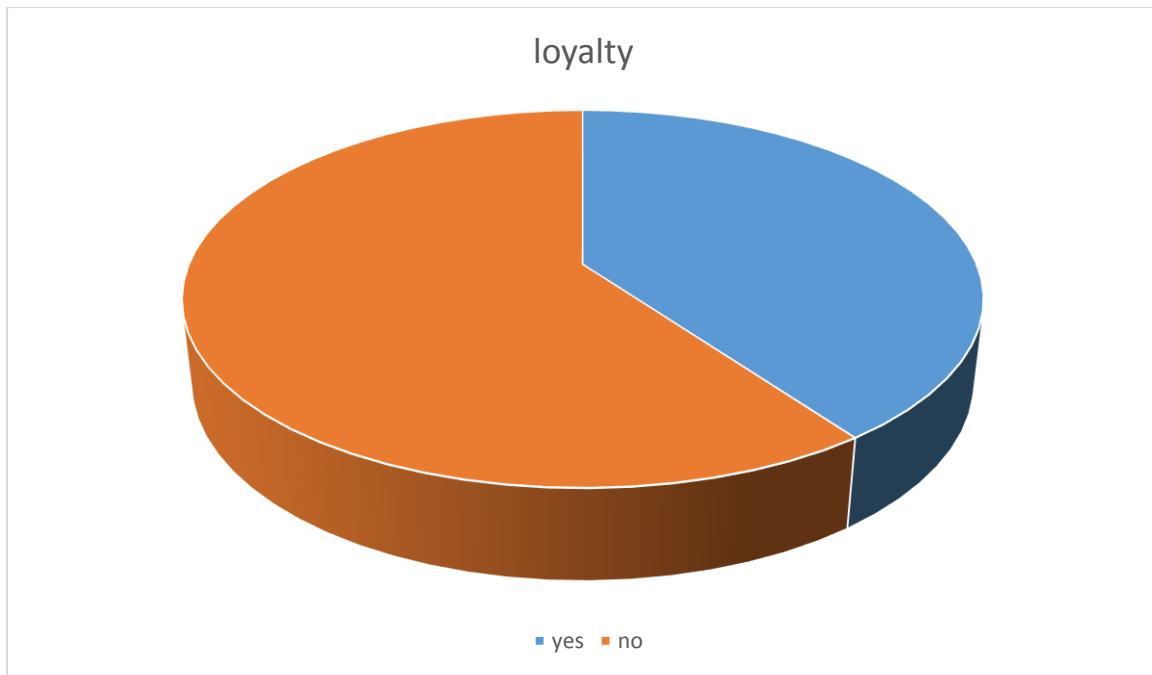


Fig 4.4.2 chart on brand loyalty by customers

The findings show that 40% of the respondents claimed to be loyal to FABS while 60% were not loyal. This might be because customers tend to shift a lot in the retail industry because competition is high and the cost of shifting brands is relatively low. The researcher also gathered that 69% of the customers were genuinely loyal and bought products whenever they had a need, however, 31% of the customers were motivated to buy from the brand when there was a promotion or special offer discounts. This shows that some customers are loyal for a short period when there are promotions and this is not beneficial for the brand. Customers who usually buy when there is a promotion prove to be costly and less profitable to the organisation in most cases.

70% of the customers agreed that they would refer others to the brand, while 30% were disgruntled and would not refer others to the brand. This shows that there were customers who held the brand quite highly and were willing to spread goodwill about the brand. The results also showed that customers can be prevented from being loyal due to unfavourable activities associated with the brand. The results also showed that most customers who are loyal to the brand aid in information dissemination through word of mouth.

Interviews conducted with management also highlighted on brand loyalty. When asked if employees were willing to pay a premium, it was clear that most customers were no longer

willing to pay a premium for the products at FABS hardware. This shows that the customers were not loyal to FABS hardware, basing on the notion by Giddens (2002), who indicates that, brand loyalty implies that customers pay a high price or premium to a particular brand in the same product group, and advise that brand to other people surrounding them. The results showed that the company was lacking in brand loyalty and this had affected customer lifetime value, especially in the projects department where customers were expected to be stay with the brand for a long period of time.

4.5 Chapter Summary

The chapter presented an analysis of the data findings, that were obtained from the field research carried out by the researcher on the issue of brand equity and customer lifetime value. The findings were answering research objectives and the researcher made use of tables, graphs and pie charts in data presentation.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.0 Summary

This chapter gives conclusions and recommendations necessary for future direction and use on the effect of brand equity and its implications on customer lifetime value. The discovery that FABS hardware was not doing much to enhance its brand awareness, brand association, brand loyalty and perceived quality, the researcher was motivated to carry out a research on the case study. The brand was suffering from a reduction in sales, failure to acquire new customers, as well as failure to retain the already existing ones, leading to a reduction in customer lifetime value also led to the need to carry out this research. The researcher based the study in Harare Westgate area, at FABS hardware. Period under study was from January to December 2015.

The research based mainly on three objectives; the effect of brand awareness on customer lifetime value, the effect of brand association on customer lifetime value and the effect of brand loyalty on customer lifetime value. Questionnaires and interviews were used to gather information on the variables of brand equity and customer lifetime value.

The researcher used a targeted population of 2000 customers deriving a sample of 100 customers and 6 management and staff. Information from the sample was gathered using interviews and questionnaires. Secondary data was also used in information gathering, this comprised of FABS hardware sales reports and customer data bases. Information was presented using tables, graphs and pie charts. From the distributed questionnaires, there was a 100% response rate from employees and an 81% response rate from customers.

The following conclusions were drawn from the research findings:

5.1 Conclusions

The researcher concluded how customer lifetime value can be enhanced or improved through building brand equity.

5.1.2 Effect of brand awareness on customer lifetime value.

Basing on the findings, the researcher discovered that, there are some customers or potential ones who are not aware of the brand, particularly its symbols, colour and location. These aspects play a vital role in brand knowledge and identification which are necessary for increase in customer lifetime value through customer acquisition. The findings also showed that there

are some brand awareness tools being used by the company which are weak and not fully reaching the target audience. These include radio and internet as only a few people agreed to have known about the brand through these marketing communication tools.

There was a relatively large fraction of customers who showed that they did not recall the brand first. These findings drove the researcher to conclude that the FABS hardware's brand awareness strategies are relatively weak in enhancing customer lifetime value. From the findings from the employees, the researcher concluded that the company holds the belief that their brand is full known, yet the findings from customers prove otherwise. The researcher also gathered that, brand awareness affects customer lifetime value when employees showed that their awareness campaigns helped acquire customers when the brand was launched.

5.1.3 Effect of brand association on customer lifetime value.

The researcher concluded that FABS hardware does not hold a lot of favourable associations in the mind of the consumers. This was evidenced by customers who showed that they thought the service delivery at FABS was not good as well as complaints received by employees on service delivery. The brand association is also affected negatively by poor product assortment and shop failing to be 'a one stop shop' as per its positioning statement. The brand's lack of efficiency has resulted in the loss of customers and failure to retain customers. This was evidenced by some customers saying they would no longer continue doing business with the brand. This has greatly affected customer lifetime value for the company. From the findings, the researcher can conclude that brand associations have affected customer lifetime value.

5.1.4 Effect of brand loyalty on customer lifetime value.

From the research findings, the researcher concluded that a greater percentage of the customers were not loyal to the brand. Customers would not stick to the brand if there were any hiccups or disruptions in operations. Customers seem ready to substitute the brand with other brands. The relations with customers are weak to encourage their loyalty to the brand. The researcher concluded that some of the customers are only loyal as long as they get promotional prices. The company also has loyal customers who are not profitable to the company. The researcher concluded that FABS has to work on developing brand loyalty so as to increase customer lifetime value and sales.

5.2 Recommendations

Due to the conclusions above, the researcher devised some recommendations that FABS hardware could take into consideration.

5.2.1 Brand awareness and customer lifetime value

FABS hardware could make full use of marketing tools to enhance brand awareness. The brand could make its webpage more active and known to customers, this can be done by including the web address on business cards, company directory as well as on fliers. This helps to spread information better, especially in this modern day era where most people now use technology (internet) to access various things. FABS could also consider use of branded items such as branded carriage bags and branded pens and t-shirts distributed to regular customers. This helps people to be aware of the brand as they get to come across it more often. They might also consider placing adverts since basing on the old ones is no longer effective. FABS could make use of banners on the complex area, as well as participating in activities held at Westgate complex where it can get the opportunity to donate branded items in its gift hampers.

The company might also try to keep a record of acquired customers to see if their brand awareness strategies are really working, such as name inclusion when they are asked for quotations or larger sales from customers. This helps to determine customer flow as well as acquisition rate which is necessary for customer lifetime value.

5.2.2 Brand association and customer lifetime value

The researcher recommends the company to improve its brand associations so as to positively influence customer lifetime value. The company could try to improve its service delivery. When products are ordered that require delivery, the company could try to be time conscious and deliver on time. Communication on when products will be available could be done clearly to customers to avoid customers expecting products before they are in stock. This reduces the perception that the brand is inefficient and unreliable. The researcher also recommends the company not to put untrained or unequipped employees on the front desk as they may fail to assist customers effectively due to lack of product knowledge and inexperience.

Continuous training of employees as well as workshops on customer service and new products is also encouraged as this helps in enhancing employee knowledge. This also affects brand association and customer lifetime value, as disgruntled customers may fail to come back to the company. The shop setup and product categorisation could be made clearer for easy shopping because customers consider this when deciding to buy from the firm. Customers prefer easy shopping and identification of products, for them to continue buying. The company could also consider building relationships with customers as this helps in giving them a sense of belonging, motivating them to continue doing business with the company. It in turn increases customer lifetime value and sales. Forming relationships helps to understand the customer

better, leading to better customer satisfaction. A satisfied customer is likely to stay with the organisation for longer.

5.2.3 Brand loyalty on customer lifetime value

The researcher recommends the company to identify loyal customers so as to implement measures that will keep them loyal to the firm. This may include giving them loyalty t-shirts and caps, inviting them for company functions and dinners. I recommend the brand to continue enhancing its brand loyalty so as to avoid brand switching. The company might also aim to distinguish profitable customers from non-profitable ones so as to know which ones to focus on for increased sale. Customers who are loyal to the brand usually have high lifetime value, hence the company could aim to achieve a brand position that makes the brand favourable to the consumer. This reduces the rate at which customers consider other brands.

On an overall basis, the researcher recommends FABS hardware to increase its brand equity through increased brand awareness, brand loyalty and brand association, so as to increase customer lifetime value and sales.

5.3 Other recommendations for further research.

The nature of businesses is changing with time, conclusions and recommendations do not remain static hence they might be out-dated in the future. Due to the fact that the business world and environment evolves continuously, further research into the topic of **Brand equity and its effect on company profitability** has to be done.

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APPENDIX A

Questionnaire for customers

My name is Jeraldine B Mamombe, a fourth year student at Midlands State University. I am carrying out a research on “**The effect of brand equity and its implications on customer lifetime value**”, a study of FABS hardware, as a requirements in partial fulfilment of my Bachelor of Commerce Degree program in Marketing Management.

May you kindly assist by filling the questionnaire, your participation and views are valuable to this research. The research findings are purely for academic purposes.

NB: You are guaranteed of confidentiality and anonymity. Do not write your name.

INSTRUCTIONS: *(Tick in the box with your answer)*

1. FABS hardware came into your mind first when you required hardware material.

Strongly disagree

Disagree

Neutral

Strongly agree

Agree

2. Which promotional tool first motivated you to buy from FABS hardware?

Internet

Flyers

Radio

Friends/ relatives

3. Did knowledge about FABS hardware's (colours, logo, and location) attract or motivate you to be a customer?

Yes

No

4. When you ordered products from FABS hardware that were out of stock or needed delivery services would you say the service was good?

Yes

No

- b) Basing on your answer above would you continue doing business with FABS hardware?

Yes

No

5. FABS hardware had great brand and product assortment that meet your needs and encourage repeat purchase.

Strongly disagree

Disagree

Neutral

Strongly agree

Agree

6. When you shopped at FABS hardware would you say that their services were accommodative and would you regard it as 'a one stop shop'?

Yes

No

7. From your own experience, was FABS hardware reliable and effective when you had an encounter with them, which made you satisfied?

Yes

No

Sometimes

8. Did you buy from FABS often whenever you needed hardware products?

Yes

No

b) Basing on your above answer would you say you were loyal to FABS hardware?

Yes

No

9. How did you maintain (base) your purchasing habits with FABS?

Whenever you had a hardware need

When there was a promotion

10. Would you refer others to buy their hardware products at FABS?

Yes

No

11. What is your gender?

Male

Female

12. What is your age group?

-20

31-40

21-30

+40

Thank you for your participation!!!

APPENDIX B

Questionnaire for Employees

My name is Jeraldine B Mamombe, a fourth year student at Midlands State University. I am carrying out a research on “**The effect of brand equity and its implications on customer lifetime value**”, a study of FABS hardware, as a requirements in partial fulfilment of my Bachelor of Commerce Degree program in Marketing Management.

May you kindly assist by filling the questionnaire, your participation and views are valuable to this research. The research findings are purely for academic purposes.

NB: You are guaranteed of confidentiality and anonymity. Do not write your name.

INSTRUCTIONS: (Tick in the box with your answer)

1. Most of your target market were aware of the FABS brand after launching.

Strongly disagree

Disagree

Neutral

Agree

Strongly Agree

2. Would you say brand awareness helped you to acquire new customers?

Yes

No

3. Did your customers at first prefer your products when you launched FABS at Westgate basing on your expected targets?

Yes

No

4. Would you say the promotional tools you used to raise brand awareness were effective in gaining new customers?

Yes

No

5. Did your product portfolio meet the needs of your customers fostering customer retention?

Yes

No

6. Basing on customer remarks you received, how did they perceive your brand?

Excellent

Good

Bad

7. Did customers complain about your service delivery at some point in time, (maybe time and efficiency) of services.

Yes

No

7. Building relations with customers had a positive effect on brand association which encouraged repeat purchase.

Strongly disagree

Disagree

Neutral

Agree

Strongly agree

8. Would you say that customers that were loyal to your brand were profitable?

Yes

No

8. How long have you been working for FABS hardware?

.....
.....

9. What is your gender?

Female

Male

10. What is your age group?

-20

21-30

31-40

+41

Thank you for your participation!!!

APPENDIX C

Interview guide for management

My name is Jeraldine B Mamombe, a fourth year student at Midlands State University. I am carrying out a research on “**The effect of brand equity and its implications on customer lifetime value**”, a study of FABS hardware, as a requirements in partial fulfilment of my Bachelor of Commerce Degree program in Marketing Management.

Your participation and views are valuable to this research. The research findings are purely for academic purposes.

1. What did the majority of your customers associate the FABS brand with?
2. Were FABS brand associations powerful enough to give you a strong competitive advantage and retain customers?
3. How known was your brand, that is corporate colours and logo, (brand awareness), and did they aid in easy recognition by the target market?
4. Did brand awareness contribute towards customer acquisition and sales?
5. Were customers willing to pay a premium when shopping at FABS, regarding them as being loyal?
6. Do you think investing more in building brand awareness, loyalty, building perception on quality and association helped improve customer lifetime value for FABS?
7. What do you think was the main cause for customer defection and reduced sales, and how best would you counter this?
8. From your own perspective, would promotional activities have had a positive effect on customer lifetime value?

Thank you very much for your cooperation