

An Analysis of Brand Image, Perceived Quality, Customer Satisfaction and Re-purchase Intention in Iranian Department Stores

Bahram Ranjbarian

Professor of Management Department, University of Isfahan, Iran

E-mail: bahram1r@yahoo.com

Ali Sanayei

Professor of Management Department, University of Isfahan, Iran

E-mail: drsanayei@gmail.com

Majid Rashid Kaboli

Assistant Professor of Management Department, University of Isfahan, Iran

E-mail: majidkaboli@yahoo.com

Alireza Hadadian (Corresponding author)

Ph.D. in Marketing, University of Isfahan, Iran

3rdFloor N0.5, Shaghayegh Blind Alley, 9th North Kowsar

Kowsar BLVD, Mashhad, Iran

Tel: 98-511-881-1572 E-mail: a.hadadian@gmail.com

Received: November 25, 2011

Accepted: February 3, 2012

Published: March 16, 2012

doi:10.5539/ijbm.v7n6p40

URL: <http://dx.doi.org/10.5539/ijbm.v7n6p40>

Abstract

Today more than ever customer orientation as the most important competitive advantage has gained an increasing importance. This paper aims to examine the relation between store image, perceived quality, customer satisfaction, and re-purchase intention in Iranian department stores. This is a descriptive survey study. The statistical population of the research is composed of customers of the three major chain department stores in Iran. The sample size estimated to be 1227. Data gathering instrument was a self administered questionnaire and structural equation modeling (SEM) is used for the data analysis.

Findings indicate that in Iranian department stores perceived quality affects store image, customer satisfaction, and re-purchase intention. Also customer satisfaction affects repurchase intention. Moreover, the store brand image affects customer satisfaction.

Keywords: Customer satisfaction, Store image, Perceived quality, Re-purchase intention, Department stores

1. Introduction

In recent years, department stores have grown rapidly and have been emphasized in distribution system reforms of Iranian Department of Commerce. Since Distribution of consumer goods in Iran had a numerous problems which was most affected by the two chaotic economic situation i.e. the unorganized economic conditions and inappropriate structure of traditional distribution systems, after the reconstruction period the government decided to establish new chain department stores in the country to improve the distribution system and to prevent the market confusion. Refah and Sharvand department stores were established to follow this decision. But despite of efforts exerted, because of the lack of sufficient insight on how to manage the stores and the factors influencing their success, these department stores didn't have much success in achieving the goals set (Mortazavi, 2001).

Result of a preliminary exploratory study which has been conducted in the early stages of the research through interviews with managers and experts in the large department stores, it was found that these department stores

have been successful to create customers loyalty only about 30%. Measure of evaluating the customers loyalty in this study was repurchase intention, word of mouth advertising and ignoring competitor's advertising. The results also indicated that approximately 82% of managers and experts appraised the success rate of Iranian department stores to be low and very low. Hence, a further study about key success factors in Iranian department stores seemed to be necessity.

Previous studies show that brand image, perceived quality, and customer satisfaction (Kuo et al, 2009; Landrum and Prybutok, 2004; Wang, Y. Lo, H., and Yang, Y, 2004; Yang, Z., & Peterson, R. T, 2004) are the main factors in companies' success and in creating competitive advantage.

Therefore, this study attempts to consider the relationships between store brand image, perceived quality, customer satisfaction, and re-purchase intention.

2. Literature review and hypothesis development

2.1 Store Brand Image

Customers keep a variety of reflections about businesses in their minds. In the context of department stores the associated reflections mainly includes intellectual framework of buyers about a company or store (Orth and Green, 2009). The company brand image is a valuable intangible capital that is hard to imitate and it can help an organization to achieve a sustainable and superior financial performance (Roberts and Dowling, 2002). A general theory related to Store Brand Image is that a good mentality about brand will have positive effects on consumer behavior such as preferential pricing opportunities to manage Premium Prices, more faithful buyers, and more positive verbal advertisements. Probably in retail business deals with the store image, store satisfaction, and store loyalty (Osman, 1993; Bloomer and Ruyter, 1998). Research conducted by Huber and Herman (2001) has proven a significant and positive relationship between Store Brand Image and customer loyalty (Clotty et al, 2008).

2.2 Perceived Quality

Perceived quality is simply the overall customer's assessment of the standard process of receiving customer services (Hellier, et al, 2003). In previous researches the relationship between perceived quality and satisfaction, has been proved (Parasuraman, et al, 1994). Some experts believe that the perceived quality is the extent of compliance rate between perceived performance and customer expectations (Athiyaman, 1997; Bejou, et al, 1996). Some other researchers take the perceived quality as the result of satisfaction (Anderson and Sullivan, 1993). Store brand image can be impressed positively by perceived quality (Zins, 2001; Selnes, 1993). Therefore the first hypothesis is recommended as follows:

Hypothesis 1: Perceived quality affects store brand image in Iranian department stores.

2.3 Customer Satisfaction

Customer satisfaction plays a key role in services (Edvardsson, et al., 2000). With the development of the service sector, researchers also have taken bigger steps toward defining and understanding satisfaction from customer's point of view.

Mc Kenna (1991) suggests that organizations to achieve satisfied customers should forget about market reviews, advertising, and promotions instead they should emphasize appropriate infrastructure in order to provide appropriate products and services to meet customer's needs. Customer should be able to achieve true satisfaction with the inferred quality and value of goods and services (Kristen, 2008).

Oliver (1997) describes satisfaction as a "Complete Customer Response". In fact, satisfaction is the outcome of the customer's judgment regarding this issue that to which extent features of a product or a service are able to satisfy customer's desirable expectations. This definition highlights the assessing nature of the satisfaction that through it the customer specifies whether a product, a brand or a store meets the expectations or not. Because of the complexity of the satisfaction's structure many ways are available to evaluate it.

There are many discussions about making customer satisfaction operational. Regarding the concept of whether it should be evaluated as a general structure or should be based on discrete elements. Danaher & Haddrell (1996) and Rust & Zahorik (1993) claimed that such Single - item scales offer a limited concept of satisfaction from the stores. They said such a point that "a single scale cannot provide necessary information about all aspects and also isn't able to evaluate the different dimensions separately, so cannot fully assess the complexity of customer satisfaction" (Danaher & Haddrell, 1996). To clarify the issue better it is needed to remind that the services offered by a retail store or a department store are composed of four dimensions: marketable products, facilities, customer services, and customer relationships that each of them is evaluated in a different way by the customer (Mc Goldrick & Ho, 1992; Walters and Knee, 1989). Marketable products imply products such as types of

quality and products' prices, while facilities include aspects such as store location and interior design.

Certainly customer service includes facility provided by the store to help the customers, to speed service delivery, to make a friendly relationship between staff and customer, and eventually to form communication elements like catalogs and ads. All aspects discussed can be made operational by the store and have a role in the formation of standing position in the market environment (Walters and Knee, 1989). Therefore by using the method of satisfaction assessment with the store, we can achieve signs of consumer satisfaction with more details (Bridson et al, 2008). Overview of previous studies reveals that the concepts of satisfaction and loyalty are two strong predictive factors of maintaining customer, in other words they are counted as continued transaction of customer with service provider or repeated purchase of a certain brand (Olsen and Johnson, 2003; Edvardsson, et al, 2000; Johnson & Fornell, 1991).

Previous researches in conventional retailing have concluded that perceived quality has positive effect on customer satisfaction (Cronin, et al, 2000; Johnson & Fornell, 1991; Chris Teneson et al, 1999). Similar results have been achieved from studies of web shopping and online shopping (Batter, et al, 2006; Collier & Bienstock, 2006; Hsu, 2006; Kuo, 2003; Lee & Lin, 2005; Park and Kim, 2006). Therefore, Hypothesis 2 is suggested as follows:

Hypothesis 2: Perceived quality affects customer satisfaction in Iranian department stores.

Results of studies on the relationship between brand image and customer satisfaction in the field of conventional retailing have also expressed that store brand image in many cases severely affects the customer satisfaction (Vilares & Coelho, 2003; Zins, 2001). So the third hypothesis is recommended as follows:

Hypothesis 3: Store brand image affects customer satisfaction in Iranian department stores.

2.4 Re-purchase Intention

Re-purchase intention is the repeated process of buying goods and services from a particular store (Hellier ,et al, 2003) and the main reason is in the experiences after shopping. Companies instead of attracting new customers can retain the previous customers with less cost (Zeithaml, 1996).

In marketing literature several studies can be noted that primarily studied the relationship between Re-purchase intention and perceived quality (Alexandris, et al, 2002; Cronin, 2000; Wang, et al, 2004). In other words, perceived quality has had a positive effect on Re-purchase intention .In a study done in the field of internet websites and online -stores, Kuo (2003) noted that the quality of online services has had a positive correlation with the continuation of the web site using, suggesting others to refer to the web site, and customer loyalty. Lee & Lin (2005) found that perceived quality of the online stores had a positive effect on Re-purchase intention. Therefore, Hypothesis 4 is suggested as follows:

Hypothesis 4: Perceived quality affects Re-purchase intention in Iranian department stores.

Many studies conducted on satisfaction have emphasized on positive relationship between customer satisfaction and repurchase intention (Brady et al, 2001; Cronin et al, 2000; Johnson and Fornell, 1991). Also it is noted that the consumers who have a higher satisfaction level are more likely to re-purchase and to recommend a brand to others (Zeithaml, 1996).

In other words, by increasing customer satisfaction the likelihood of a brand re-purchase also would increase. Current studies conducted in e-retailing and online shopping has had similar results (Collier & Bienstock, 2006; Lee and Lin, 2005).

Thus, hypothesis five is recommended as follows:

Hypothesis 5: Customer satisfaction affects customer re-purchase intention in Iranian department stores.

3. Research Methodology

3.1 Design

This study is a descriptive study which has been conducted through a survey. The conceptual model of the research is shown in the figure 1. This model consider the effects of store brand image, perceived quality, customer satisfaction, and Re-purchase intention in Iranian department stores.

3.2 Data Gathering Tool

The Questionnaire used in this study was designed based on the relevant literature, preliminary study, and experts' suggestions. For resolving ambiguous expressions, after preparing a draft, the questionnaire has been pre-tested by experts and customers who were familiar with the department store services. As a result, the

respondents were asked to answer a formal survey questions and the Content validity of the questionnaire was confirmed. The questionnaire used was composed of two parts. First part was designed with the goal of gathering personal data and the opinions of the respondents who used the services of department stores. The second part discussed each of the constructs of the study model from the respondents' point of view. All questions have been assessed on a five-point Likert scale: from item 1= totally agree to item 5=totally disagree was used. In order to confirm the reliability of the Questionnaire Cronbach's alpha coefficient was used. In the first stage, 50 questionnaires were distributed and the Cronbach's alpha coefficient was calculated equal to 0.86. Cronbach's alpha analysis results showed that the removal of some questions would cause a significant increase in internal correlation of the items. Necessary editions were carried out for sccond time again 50 questionnaires were distributed as a second pre-test. Results showed that Cronbach's alpha coefficient of the entire questionnaire was equal to 0.95. So it could be claimed that the data collection tool's reliability is desirable.

3.3 Statistical Population, Samples, and Sampling

The statistical population of this study included all customers of Refah, Shagr vand, and Etk a department stores' in five major Iranian city of Tehran, Mashhad, Isfahan, Tabriz and Shiraz. Considering the population of 16121000 people in these cities (Iran Statistics Center Website, 2010) the sample size estimated to be 1227.

4. Data Analysis

4.1 Demographic Characteristics of Samples

Among the samples collected, women with 54 percent were in the majority. 38 percent of the respondents were between 25 to 35years of age, 26 percent were over 45, 25 percent were between 35 to 45 years of age, and 9 percent were under 25. With respect to their educational levels, about 51 percent of respondents had a college diplomas and bachelors degree, about 39 percent were high school graduate, and about 9 percent had a graduate degree. In order to avoid wrong answers to the respondents' income, "family life spending per month" was asked. Considering the family living expenses 49 percent were spending between 400000 and 800000 Tomans per month, about 29 percent below 400000 Tomans per month and about 21 percent above 800000 Tomans per month. Considering the shopping experience standpoint, 34 percent had 3 to 6 years experience with department store shopping, about 19 percent between 6 to 9 years, 15 percent 9 to 12 years, 14 percent below 3 years, and 13 percent over12 years. About 5 percent left this question unanswered. Among the reasons presented for shopping from department stores, diversity and access to needed items with 43 percent were the main reasons followed by distance with 27 percent, service satisfaction with 14 percent, reasonable prices with 8 percent, and appropriate personnel behavior with 6 percent.

4.2 Confirming Theories and Analysis of Proposed Model

In order to evaluate and assess the proposed model structural equation modeling (SEM) and LISREL 8.52 Software were used.

4.2.1 Evaluation of Conceptual Research Model

Table 1 shows the fit indices, acceptable values, and analytical results for the overall model. According to Table 1, all fit indices of the model, with acceptable values, are eligible and this shows that the general model is acceptable.

4.2.2 Structural Model

Table 2 shows the usual fit indices of model, acceptable values, and fit test results of the structural model. As you can see, comparison of all fit indices with the acceptable values corresponding to them represents achievement to a strong fit. To achieve satisfactory fit, structural model's estimated path coefficients to assess the hypotheses were examined. Figure 2 shows the standardized path coefficients, t- values, and coefficients of determination of the hidden variables (R^2). All of Hypotheses have been confirmed strongly. Research results are shown below.

1) The Effect of Perceived Quality on Store Brand Image

Perceived quality has a significant positive effect on store brand image ($t=11.02$ and $\gamma=0.66$). So the first hypothesis is confirmed. The results are consistent with previous studies (Zins, 2001; Selnes, 1993). In other words, when the department stores provide high quality services they increase the store brand image.

2) The Effect of Perceived Quality and Store Brand Image on Customer Satisfaction

As expected customer satisfaction is affected directly and significantly by two variables of the perceived quality ($t=6.50$ and $\gamma=0.47$) and store brand image ($\beta=0.59$ and $t=8.2$), so the second and third hypotheses are confirmed. These results are similar to previous studies' findings (Koo et al, 2009; Turel, & Serenko, 2006; Vilares &

Coelho, 2003; Zins, 2001). So when customers receive the higher quality and value of department stores' services, their satisfaction will be higher.

3) The Effect of Perceived Quality and Customer Satisfaction on Purchase Intention

Perceived quality has a significant positive effect on Re-purchase intention ($\gamma=0.30$ and $t=5.15$) so fourth hypothesis is confirmed. This means that the effect of perceived quality on Re-purchase intention is significant. Re-purchase intention is directly and significantly affected by customer satisfaction ($t=6.01$ and $\beta=0.45$) so in this way, fifth hypothesis are confirmed. These results are consistent with the findings of previous researches (Lin and Wang, 2006; Wang et al, 2004). It is noted that when customer satisfaction is high, there is a high probability that in future they will use the services again and encourage their friends and relatives to visit department stores and use their services.

4) Direct Effect, Indirect Effect, and Total Effect of each Structure on Re-purchase Intention

By using standardized path coefficients for structures, direct and indirect effects of any structure on Re-purchase intention can be estimated (Table 4).

The effects of whole constructs on purchase intention can be classified as follows: store brand image (0.27), Perceived Quality (0.69), and customer satisfaction (0.45). The result confirms the results of previous studies (Anckar & D'Incau, 2002; Keen & Mackintosh, 2001).

Perceived quality has a direct effect on Re-purchase intention thus good service quality is a critical factor to corporate profitability, sustaining their competitive advantage, and influencing customer satisfaction on long-term relationships between companies and customers.

Furthermore, based on the results of (R^2), 50% variance in store brand image can be explained by perceived quality. 73% variance in customer satisfaction can be explained jointly by perceived quality and store brand image. 75% variance in Re-purchase intention can be explained by perceived quality and customer satisfaction. Based on these results, we can say the proposed model effectively explains the relationships among perceived quality, store brand image, customer satisfaction and Re-purchase intention in Iranian department stores.

5. Conclusion

In this study, the relationships among store brand image, perceived quality, customer satisfaction, and Re-purchase intention were investigated in Iranian department stores. Research model was strongly confirmed by the collected data. The perceived quality strongly influence on store brand image, customer satisfaction, and Re-purchase intention. This suggested that by upgrading the services' quality in Iranian it department stores, the store brand image and customer satisfaction will be enhanced.

Kuo et al (2009) also had achieved similar results in their research except that the influence of service quality was assessed very poor on Re-purchase intention. Therefore in order to upgrade the perceived quality, regular assessment of customers' needs, desires, tastes, and interests is recommended. Also, managers must be more careful about the quality of the goods in stores and speed of service. Other findings suggest that the store brand image affects customer satisfaction. In other words, a higher store brand image can lead to more satisfied customers. Moreover, research results indicate that customer satisfaction and perceived quality affect Re-purchase intention, also effect of store brand image on Re-purchase intention isn't direct.

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Table 1. Analytical results and fit indices for model evaluation

Fit indices	Acceptable values	Results
χ^2 / df	<3	2.60
Goodness of fit index (GFI)	>0.9	0.95
Root mean square error approximation (RMSEA)	<0.08	0.05
Root mean square residual (RMR)	<0.08	0.03
Normed fit index (NFI)	>0.9	0.96
Non-normed Fit index (NNFI)	>0.9	0.96
Comparative fit index (CFI)	>0.9	0.96

Table 2. Fit indices and results of structural model analysis for the overall model

Fit indices	Acceptable values	Results
χ^2 / df	<3	2.50
Goodness of fit index (GFI)	>0.9	0.96
Root mean square error approximation (RMSEA)	<0.08	0.06
Root mean square residual (RMR)	<0.08	0.03
Normed fit index (NFI)	>0.9	0.97
Non-normed Fit index (NNFI)	>0.9	0.98
Comparative fit index (CFI)	>0.9	0.98

Table 3. Hypotheses testing

(Hypothesis)Relations	t	γ	Accept or Reject
(Hypothesis 1)The Effect of Perceived Quality on Store Brand Image	11.02	0.66	Accepted
(Hypotheses 2&3)The Effect of Perceived Quality and Store Brand Image on Customer Satisfaction	6.50 8.2	0.47 $\beta=0.59$	Accepted
(Hypotheses 4&5)The Effect of Perceived Quality and Customer Satisfaction on Purchase Intention	5.15 6.01	0.30 $\beta=0.45$	Accepted

Table 4. Direct effect, indirect effect, and total effect of each construct

	Direct Effect			Indirect Effect			Total Effect		
	RI	CS	SBI	RI	CS	SBI	RI	CS	SBI
PQ	0.30	0.47	0.66	0.39	0.39		0.69	0.86	0.66
SBI		0.59		0.27			0.27	0.59	
CS	0.45						0.45		

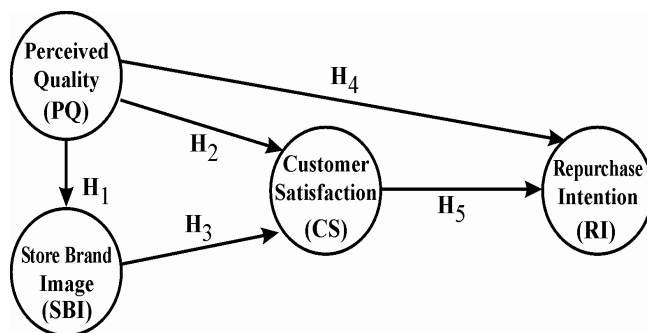


Figure 1. Proposed research model

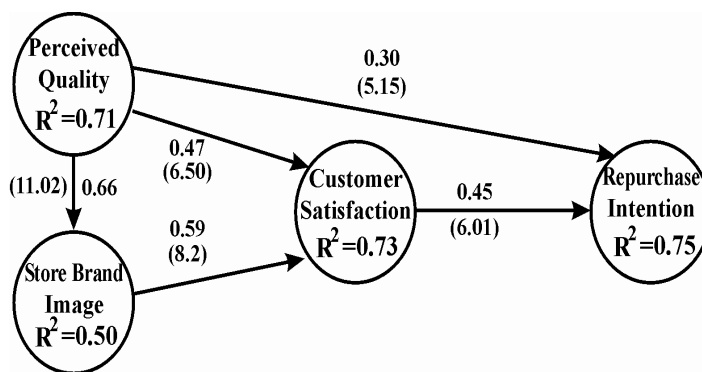


Figure 2. Testing Results of Hypotheses