The effect of service quality on private brand image and purchase intention in the chain stores of ETKA

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ABSTRACT

The chain stores require special attention of the managers to be established and maintained in a competitive and beneficial position in the marketplace. Hence the present study provides a proposed model to examine the effect of service quality on private brand image and purchase intention in the chain stores of ETKA. The statistical population of this study includes the customers of these stores in Tehran and the required data for performing the research were obtained by the approach of purposive sampling among 390 customers of these stores. Data analysis was performed by using correlation analysis and structural equation modelling and with the help of software AMOS 18. The results show that: (1) service quality has a positive and significant effect on the purchase intention of the private brand (2) service quality has a positive and significant effect on the perceived value (3) perceived value has a positive and significant effect on the purchase intention of the private brand (4) private brand image has a positive and significant effect on the purchase intention of the private brand.

Keywords: service quality; brand image; perceived value; purchase intention; private brand; chain stores of ETKA

1. INTRODUCTION

Businesses that seek to increase their efficiency should constantly monitor their service qualities and be always looking to improve it (Kaseb, 2012, p. 5). Services play an important
role in the marketing plans of many commercial enterprises and service excellence is a part of the value package of customer demands. Therefore, in the competitive and free markets, strategies such as providing high quality services, has attracted the most attention to themselves (Fredrick et al., 2000, p. 359).

Since the day the role of services and developing them was revealed, the issue of service quality has been considered as a key feature of competition between service organizations and all the service organizations have found, now, that the quality is the key to overtake the competitors and achieve stable competitive benefit (Abdullah, 2006). In the stores, as well, the service quality is an important factor affecting on the purchase behavior of customers and the perceived value (Tam, 2012, p. 3). Nowadays, an increasing number of customers are equipped with a high volume of data and have a higher power for risk-taking. They are, based on the higher value achieving elsewhere, prone to change the store, so that changing the store by the customers have become as a norm and also a challenge for retailers (Rezai, 2012, p. 4). Retailers can always create a brand image assigning a unique linkage to their services (Ailawadi & Keller, 2004, p. 333), and to reduce the perceived risk, the customers choose a brand with a better image that influences on the purchase intention (Dowling & Staelin, 1994, p. 121).

Chain stores are one of the active and dynamic businesses in the large cities, which are under tremendous competitive pressures. These stores require special attention of managers in order to be established and maintained in a competitive and beneficial position in the marketplace. The private brand of ETKA is an important and significant criteria in the field of the activities of the chain stores of ETKA. Given that, just the products with the private brand of ETKA are presented in the chain stores of ETKA, so, conducting a study to investigate the factors affecting the image of the private brand of ETKA and the intention to purchase it can be a significant help for the managers of the chain stores of ETKA to increase their productivity and optimize the brand image.

2. THEORETICAL FOUNDATION AND HYPOTHESIS FORMULATION

2.1. Research variable

2.1.1. Service quality

Service quality is a vague concept and there is much discussion on the conceptualization of this phenomenon (Abdullah, 2006). Gronroos (1984), considers the service quality as a result of an evaluation process in that the customers compare their own expectations with their perception about the services received. Paul et al. (2011) define the service quality as the compliance rate between the provided services and the expectations of the customers. The most common definition of service quality is based on the judgment of the global consumer about the superiority of the product or service, resulting in the integration of the expectations of the consumers about the services and their perceptions about the company that provides that services (Feyz et al., 2011, p. 129). Therefore, the customer is the judge and determiner of the quality. A service has quality if it meets the customer’s expectations or be in a level beyond that. Of course, whenever the service level is below the expectations of the customers it doesn’t mean, necessarily, that it is low quality but it could not satisfy the customer. Thus, the service quality is evaluated based on what the customer expects it to be like (Venus and Safaeian, 2002).
In the service quality literature, there have been many different models developed to establish the determinants of service quality and also appropriate service quality measurement techniques (Sliwa & O'Kane, 2011, p.443). Service quality is a multidimensional construct, but there is no general agreement regarding the nature or contents of these dimensions, yet (Zeithaml et al., 2002; Brady & Cronin, 2001). In this study, three dimensions of quality of interaction, quality of service environment and quality of results (Brady & Cronin, 2001), have been used to measure the service quality. The quality of interaction refers to the customer’s evaluation about the quality when he/she interacts with the store employees. The quality of service environment refers to the consumer’s opinion about the overall environment, whereas the quality of results refers to the customer’s assessment about his/her purchase experiences in the store (Paul et al., 2011, p.33).

2.1.2. Brand image

The concept of image refers to the influence that an entity have on the minds of people and includes three areas of: product image, brand image and organizational image (Rastegar et al., 2013, p. 107). The brand image includes knowledge, customer opinions and physical and non-physical characteristics of the product; the image that customers grant to a product (lee et al, 2011, p.1093). This image is made in the customer’s mind and therefore depends on his/her knowledge and perception of the brand. These dependencies and the established image enable the marketers for brand distinguishing, positioning, and extension and makes the customers able to organize and retrieve the information about purchasing a product (Alimen & Cerit, 2010, p.541). Aaker (1996), calls the characteristics associated with the brand existing in the customer’s mind as the brand image and believes that if the brand image be alive and dynamic, the customers seek additional information about that brand and will connect efficiently and effectively with it. Keller (1997), defines the brand image as a result of the people’s experiences, perceptions, beliefs, feelings and knowledge in relation to the organization. To evaluate the brand image, Martinez et al. (2009), consider all the concepts related to the characteristics, interests and attitudes formed in the customers’ mind as the communication networks and state that the implications (associations) may be related to the brand function (cognitive) or the brand personality and the capability associated with the customers and the overall reputation of the brand (Pina et al, 2013, p.1413). With a focus on the brand concepts and associations, many authors have stated that the attitude to the brand extension depends on the perceptions about the brand quality, brand performance (the brand impacts) and reputation (Henderson et al., 2003). In this study, two aspects of quality and affection (Keller, 1993) have been used to measure the private brand image. Quality refers to the recognition of the high quality private brand products whereas, interest refers to the preference or satisfaction about the private brand products (Paul et al., 2011, p.33).

2.1.3. Perceived value

Perceived value is considered as one of the most important means of differentiation in the service marketing strategies (Ladhari, R., & Morales, 2008) and is one of the most important tools to achieve competitive advantage and a key factor in the strategic management. There are many definitions for the perceived value in the literature, as Zeithaml (1988), notes that value is the overall assessment of customer about the desirability of a product based on his/her perceptions about the receipts and payments (Boksberger & Melsen,
According to Parasuraman et al (1985), perceived value is a purely personal and subjective concept (Roig et al, 2006, p.269). Lichtenstein et al (1993), define the perceived value as the quality that the customer acquires instead of a paid cost (Mollahoseini and Jabbarzadeh, 2011, p. 6). Butts and Good Stein (1996), consider the perceived value of the customer as a mental commitment created between the customer and the manufacturer after using the product. Muliner et al (2007), call the perceived value as a dynamic variable that is experienced after taking the product and includes mental reactions. Brodie et al. consider the customer’s perceived value as dependent to the received service and quality and the paid costs (Brodie et al., 2009). Rust et al. state that the perceived value factors involve the quality of the products and services, price (such as low price, discounts and sales), and facilities (such as store location, availability, and ease of use) (Rust et al., 2004). According to de Reuter et al (1997), perceived value have 3 dimensions: emotional, functional and logical. The emotional value includes a person’s emotional evaluation of the service experienced. The functional value involves the operational areas of service and the logical value includes the quality of service and price. Sweeney and Soutar (2001), considered the functional, social, and emotional dimensions as important for perceived value. The social dimension is the acceptance and desirability in the relationships between a person and his social environment. The emotional dimension includes feelings or emotional conditions that have been shaped based on consumption experience. The functional dimension of the perceived desirability is one of the characteristics of the product or service. In this study, three dimensions of functional value, social value, and emotional value (Sweeney and Soutar, 2001) have been used to evaluate the perceived value.

2.1.4. Purchase intention

There has lied an important process of decision making behind every act of purchasing that must be investigated. The steps that the buyer passes for deciding what kind of products and services to purchase is called the process of purchase intention or the customer’s purchase decision making process and that the customers decide to purchase from the company (Lin & Lu, 2010). Purchase intention refers to the likelihood that the customer, being in a position of purchasing, purchases a specific brand from a product category (Crosno et al. 2009). The increased afford to purchase causes an increased likelihood of purchasing. The researchers also consider the purchase intention as an important indicator to predict the purchasing behavior of the customers. When the customers have a positive attitude toward purchasing, the commitment to the brand leads them to a real practice of puruehasing (Paul et al. 2011, p. 32).

2.2. Hypotheses development

2.2.1. The effect of service quality on purchase intention, private brand image and perceived value

After any purchase made, a customer begins to evaluate that purchase and his/her behaviors after that purchase, such as deciding to repurchase, clearly depends on his assessment of the vendor’s performance in the provision of goods and services. But, to evaluate the performance of a company, the customers often evaluate the service quality provided by them (Osanloo and Khodami, 2011. p. 2). Perceived service quality is considered as a key factor in explaining the purchase intentions (Cronin et al, 2000). Several studies have
proved the relationship between the perceived service quality and purchase intention through perceived value and satisfaction (Anderson & Sullivan, 1993; Gotlieb et al., 1994; Patterson & Spreng, 1997; Roest & Pieters, 1997; Taylor, 1997). However, the other researchers have found a direct relationship between the perceived service quality and the purchase intention (Ebrahim and Mansouri, 2013; Perez et al., 2007; Shao et al., 2004).

Gronroos (1984), stated that the brand image has an increasing importance for the companies when the customers use their services. The service quality creates brand image for the private companies. Similarly et al. (1998), stated that a company's brand image is formed by a combination of consumer's perceptions about the service quality. Many researchers (including Gummesson and Gronroos, 1988), stated that the brand image is the key factor in assessing the service quality. Aydin and Ozer (2005), concluded that the perceived service quality causes, directly, the brand image perception (Malik et al, 2011, p.632). Previous research show a positive relationship between the service quality and the private brand image (Malik et al., 2011; Paul et al., 2011).

The service quality is an essential component in the perception of a value because it is the most difficult thing to emulate from the viewpoint of the competitors and also a basis on which the distinction and competitive advantage is strengthen (Roig et al, 2006). The perceived service quality is a key factor in the creation of value, so it is considered as an antecedent of value. Value increases by increasing the service quality and decreases with the increase in the cost of obtaining the service quality (Tam, 2012, p.4). Most empirical studies show that the service quality has a positive effect on the perceived value (Naderi Zadeh, 2013; Abdul Nejad, 2013; Ebrahimi and Mansouri, 2013; Kuo et al., 2009; Tam, 2012). In this study, the relationship between the service quality and the brand image, perceived value and purchase intention have been investigated, so the following hypotheses are proposed:

\[ H_1: \text{service quality has a positive and significant impact on the purchase intention.} \]
\[ H_2: \text{service quality has a positive and significant impact on the private brand image.} \]
\[ H_3: \text{service quality has a positive and significant impact on the perceived value.} \]

2.2.2. The effect of Brand image on purchase intention and perceived value

Brand image is very important because it helps consumer to decide if the brand is suitable for him/her or not, and affects the consumer’s post-purchase behavior (Bian & Moutinho, 2011, p.194). The brand image plays an important role during the consumer’s purchase decision making process (Wang & Tsai, 2014, p.29). A higher favorability of the brand image builds a positive attitude towards the brand products, and additionally, a good brand image has a positive impact on the purchase intention (Simonian et al., 2012, p.326). Previous research show a positive relationship between the brand image and the purchase intention (Fakharmanesh & Ghanbarzad, 2013).

Consumers are more likely to purchase the products of a well-known brand with a positive image, because a brand with a good image will enhance consumer perceived value (Wang & Tsai, 2014, pp.29-30). Various researchers have shown that the brand image has a significant impact on the perceived value (Ebrahimi and Mansouri, 2013; Lai et al., 2009; Ryu et al., 2008). So the following hypotheses are proposed:

\[ H_4: \text{The brand image has a positive and significant effect on the purchase intention.} \]
\[ H_5: \text{The brand image has a positive and significant effect on the perceived value.} \]
2.2.3. The effect of perceived value on purchase intention

Perceived value is based on the rational and purposeful aspects of purchasing. Perceived value is the objective assessment of the customer about the use of a brand with the notion that what he has to pay instead of what he have received (Rust et al, 2004). Perceived value plays an important role in the purchase and the process of purchase decision making. Many researchers stated that the perceived value is related to the emotional reactions of the consumers and their shopping experiences that has a large impact on the purchasing behavior of the consumers. In the case of stability of the other factors, the perceived value will have a great impact on the purchase intention (Wang & Tsai, 2014, p.30). Previous studies have found that the perceived value has a positive correlation with the consumer purchase intention (Yee & San, 2011; Chen & Chang, 2012; Zeithaml, 1988). Therefore, the following hypothesis is recommended:

H6: Perceived value has a positive and significant impact on the purchase intention.

The model (Fig. 1) as hypothesized is shown below.

![Hypothesized model](image)

**Figure 1.** Hypothesized model.
3. RESEARCH METHOD

3.1. Sample and data collection

The research model is descriptive and is a survey research given that the data collecting tools were distributed and collected in the statistical population and among the subjects. This study has a practical purpose, because the managers can use its results in their decision makings. The study population are the customers of the chain stores of ETKA. Available purposive sampling method was used to select the respondents. For data collection, a total of 420 questionnaires were distributed among the customers of the chain stores of ETKA in Tehran of which, a total of 390 questionnaires were complete and usable. Demographic characteristics of the samples are shown in Table 1.

<table>
<thead>
<tr>
<th>Table 1. Demographic characteristics of the sample.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Detail of customers (n = 390)</td>
</tr>
<tr>
<td>--------------------------------</td>
</tr>
<tr>
<td>Gender</td>
</tr>
<tr>
<td>Male</td>
</tr>
<tr>
<td>Female</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Frequency of purchasing in a month</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>

The questionnaire is designed according to the previous studies and its localization is set on the basis of a seven-item range of Likert. The questionnaire has an acceptable content validity by the use of the experts’ viewpoints and the confirmatory factor analysis. Eventually, the final questionnaire was adjusted after a few steps of review and conducting a pilot phase. In this study, Cronbach's alpha is used to calculate the reliability coefficient. Cronbach's alpha values of all variables calculated is 799/0 that is a proper value. Cronbach's alpha values for the variables of service quality, private brand image, perceived value and purchase intention of the private brand are as follows, respectively: 0.897, 0.743, 0.741, and 0.854.

The software SPSS.16 and Amos.18 have been applied to analyze the data. Also in this study, the structural equation modeling has been used to test the hypotheses and evaluate the overall fit of the model. The structural equation modeling, the model’s fit and the significance of the relationships will be investigated. Model proper fit indices include: NFI, CFI, AGFI, GFI, RMSEA, Cmin/df. So, the model has been fitted if at least 3 of these indices be in the range of acceptance.
4. RESULT

To determine to what extent the indicators are acceptable for measurement models, all measurement models must be analyzed separately. By adopting such an approach, initially four measurement models which are related to variables, were analyzed separately. Results of factor analysis performed to determine the validity of the measurement models showed that the measurement models of the private brand service quality, private brand image, perceived value and purchase intention is an acceptable model. Results of confirmatory factor analysis along with the overall indices to fit measurement models are presented in Table 2.

Table 2. Results for fit indices of measurement models.

<table>
<thead>
<tr>
<th>Model</th>
<th>NFI</th>
<th>CFI</th>
<th>AGFI</th>
<th>GFI</th>
<th>X²/df</th>
<th>RMSEA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service quality</td>
<td>0.951</td>
<td>0.956</td>
<td>0.855</td>
<td>0.959</td>
<td>8.547</td>
<td>0.139</td>
</tr>
<tr>
<td>Brand image</td>
<td>0.998</td>
<td>0.987</td>
<td>0.984</td>
<td>0.998</td>
<td>1.246</td>
<td>0.025</td>
</tr>
<tr>
<td>Perceived value</td>
<td>0.956</td>
<td>0.968</td>
<td>0.930</td>
<td>0.973</td>
<td>3.662</td>
<td>0.083</td>
</tr>
<tr>
<td>Purchase intention</td>
<td>0.995</td>
<td>0.998</td>
<td>0.980</td>
<td>0.996</td>
<td>1.491</td>
<td>0.036</td>
</tr>
<tr>
<td>Acceptable fitting</td>
<td>0.90&lt;NFI&lt;1</td>
<td>0.90&lt;CFI&lt;1</td>
<td>AGFI&gt;0/8</td>
<td>GFI&gt;0/9</td>
<td>&lt;5</td>
<td>RMSEA&lt;0.08</td>
</tr>
</tbody>
</table>

According to the results in Table 2, it can be concluded that the measurement models have suitable fitness. In other words, the overall parameters of the model show that the data support the models well. After reviewing and confirming the measurement models in the first step, in the second step, structural equation modeling has been used to test the hypotheses. In Table 3, the overall indices conceptual model fitting are presented.

Table 3. Overall indices of fitting the structural model of research.

<table>
<thead>
<tr>
<th>Model</th>
<th>NFI</th>
<th>CFI</th>
<th>AGFI</th>
<th>GFI</th>
<th>X²/df</th>
<th>RMSEA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Structural model</td>
<td>0.946</td>
<td>0.972</td>
<td>0.937</td>
<td>0.961</td>
<td>1.987</td>
<td>0.050</td>
</tr>
<tr>
<td>Acceptable fitting</td>
<td>0.90&lt;NFI&lt;1</td>
<td>0.90&lt;CFI&lt;1</td>
<td>AGFI&gt;0/8</td>
<td>GFI&gt;0/9</td>
<td>&lt;5</td>
<td>RMSEA&lt;0.08</td>
</tr>
</tbody>
</table>

Given the above, it can be concluded that the overall indices show that the model has a good fit by the data. In other words, the data support the model well. The structural equation modeling with the regression coefficients are presented in Figure 2.
After review and approval of the model, the P index is used to test the significance of the hypothesis. The values smaller than 0.50 for the indicates a significant difference calculated for regression weights with a value of zero in the confidence level of 0.95. Assumptions with regression coefficients and p values for each hypothesis, is given in the Table 3.
Table 3. Hypothesis results.

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Regression coefficient</th>
<th>P value</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>The effect of Service quality on purchase intention</td>
<td>0.481</td>
<td>0.000</td>
<td>Supported</td>
</tr>
<tr>
<td>The effect of service quality on brand image</td>
<td>0.629</td>
<td>0.442</td>
<td>Not Supported</td>
</tr>
<tr>
<td>The effect of service quality on perceived value</td>
<td>0.251</td>
<td>0.006</td>
<td>Supported</td>
</tr>
<tr>
<td>The effect of brand image on purchase intention</td>
<td>0.221</td>
<td>0.006</td>
<td>Supported</td>
</tr>
<tr>
<td>The effect of brand image on perceived value</td>
<td>0.110</td>
<td>0.253</td>
<td>Not Supported</td>
</tr>
<tr>
<td>The effect of perceived value on purchase intention</td>
<td>0.111</td>
<td>0.044</td>
<td>Supported</td>
</tr>
</tbody>
</table>

*** P < 0.001

According to the results of Table 3, 4 hypotheses were confirmed of the six hypotheses available. Also in this study, the Astrapyng boot method has been used to investigate the role of mediator variables of the brand image and perceived value that will be reviewed in the context of the analysis and its results are shown in the following table.

Table 4. The route analysis results.

<table>
<thead>
<tr>
<th>Effect of variable</th>
<th>On the variable</th>
<th>Direct effect</th>
<th>Indirect effect</th>
<th>Total effect</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service quality</td>
<td>Purchase intention</td>
<td>0.481</td>
<td>0.175</td>
<td>0.655</td>
</tr>
<tr>
<td>Service quality</td>
<td>Perceived value</td>
<td>0.629</td>
<td>-</td>
<td>0.629</td>
</tr>
<tr>
<td>Service quality</td>
<td>Perceived value</td>
<td>0.251</td>
<td>0.069</td>
<td>0.319</td>
</tr>
<tr>
<td>Brand image</td>
<td>Purchase intention</td>
<td>0.073</td>
<td>0.342</td>
<td>0.414</td>
</tr>
<tr>
<td>Brand image</td>
<td>Perceived value</td>
<td>0.110</td>
<td>-</td>
<td>0.110</td>
</tr>
<tr>
<td>Perceived value</td>
<td>Purchase intention</td>
<td>0.111</td>
<td>-</td>
<td>0.111</td>
</tr>
</tbody>
</table>

According to the results of the Table 4, given that the indirect effect of any of the variables is not significant (less than 0.05), so it can be concluded that the variables of the private brand image and the perceived value do not have a mediating role in terms of service quality and intention to purchase a private brand.

5. CONCLUSION AND RECOMMENDATIONS

Based on the data analysis of the questionnaires distributed and using the appropriate statistical methods and tests, it can be concluded from the first and second hypothesis of the
research that the service quality of the chain stores of ETKA effects on the intention to purchase the private brand products but do not effect on the private brand image. In a research conducted in drug supplier stores, Paul et al. (2011), concluded that the service quality does not effect on the intention to purchase the private brand but effects on the private brand image. Given that in the grocery stores, the consumers typically spend more time in the stores and have a greater interaction with the employees, it is expected that the service quality have a greater influence on the purchase intention of consumers rather than the brand image. Accordingly, it is possible that our results do not match the results of Paul et al (2011). Therefore, it is recommended that the corporate managers of the chain stores of ETKA conduct the necessary works to enhance the context of increasing the private brand purchase intention by consumers to improve the quality of interaction, quality of service environment, and quality of results. Also, the results of the fourth and fifth hypothesis showed that the private brand image effects on the intention to purchase these products but does not effect on the value of the private brand products perceived by the consumers that matches with the results of the study conducted by Diallo (2012) and contrasts with the results of Wang and Tsai (2014).

Therefore, in decision to purchase the private brand products, the mental image of the private brand perceived by the consumers plays a great role. Thus the managers need to consider improving the private brand image in the consumers’ eyes. In the case of the third and sixth hypothesis it can be concluded that the service quality has a positive and significant impact on the consumer’s perceived value and causes improved perceived value in the eyes of consumers in the context of the private brand products of ETKA. In addition, the perceived value has a significant impact on the purchase intention of the consumers. Thus, the increased perceived value causes an increased intention to purchase the private brand products of ETKA that is consistent with the results of Tom (2012) and Yee and San (2011). Perceived value related to the emotional reactions or purchasing experiences of the consumers have a major impact on the consumer’s purchasing behavior. Therefore, the corporate managers of the chain stores of ETKA must consider that the increased service quality cause an increased perceived value for the consumers about the private brand products and finally leads to an increased purchasing of the products of the private brand of ETKA. So, considering the service quality must be the one of the main purposes of them in order to increase the consumer satisfaction and profitability.

Finally, it should be noted that this study has been done solely among the customers of the chain stores of ETKA in Tehran, so the results only pertain to Tehran. Therefore, the results could not be extended to all the customers of ETKA around the country. Also, given the issue of the private brands being a new matter in Iran, it is recommended to focus on the investigation of emotional attachment between the consumers and the store and its impact on their intention to purchase the products of a private brand, in the future researches.

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