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ASSESSING THE IMPACT OF PRICE ADVANCE IN CUSTOMER QUALITY INVESTIGATION AND REPURCHASE INCENTIVES (CASE STUDY: AMIRAN CHAIN STORES IN KARAJ)

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Abstract

This study aimed to assess the impact of price promotion on the customer quality assessment and purchase repeat incentives. This study in terms of purpose is a practical research and is in causal researches category. In order to survey the proposed hypotheses and statistical analysis, the field method, and to data collection, the questionnaire are used. The statistical population of this study is consisted of the customers of Karaj's Amiran chain stores that in this stage after questionnaire distribution using proportional sampling method, ultimately 300 questionnaires have been completed. To test the hypotheses, the structural equation modeling method and LISREL software are used. According to the data analysis, the results suggested that price promotion has a positive and significant impact on

product quality, service quality, satisfaction and motivation of repeat the purchase in Karaj's Amiran chain stores; product quality and service quality has a positive and significant impact on satisfaction in Karaj's Amiran chain stores and also satisfaction has a positive and significant impact on repeat the purchase in Karaj's Amiran chain stores.

Keywords: Impact of price; Customer quality; Repurchase, Marketing

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INTRODUCTION

Among the mixed components of the marketing, price is the only factor that leads to income. The price is also known as the most flexible factor of marketing mix because it can be quickly changed.

Price is what people pay to buy the products or services. Price includes time, energy and money. Money price includes dividends and wages and also the goods selling price, rents and payments [1].

Price concept is an important topic in economics and marketing that having knowledge of its aspects is necessary for all those which produces a specific product or service. The element of "Price" is one of the affective factors in maintaining and attracting customers and gains their satisfaction and is in real an aspect which is paid for a specific product or service, pricing in simple word means determining prices for a particular product or service [2].

One of the achievements made in relation to sales of products is strategy of price promotion. The meaning of price promotion are strategies made to attract customers and increase sales food services industry; such as reducing price in exchange for more number of purchases or more items in exchange for a constant price, which are made intended to increase the value and creating an economic incentive in order to buy. Companies usually use of this kind of promotion actions in order to increase customer's attention, attract quirky customers, create incentives in customers sensitive to the price, encourage repurchase or make added value. These actions can create additional sale in short-term [3].

But the question is that: while this price related actions lead to immediate benefit, is it possible in long term to affect the consumer evaluations about product and motivation of repurchase; because negative or positive evaluation about the product or a service may affect the customer's attitude to the quality of the product or service. Therefore, research on the effect of Price promotion measures in customer's evaluation of product quality, service or brand has attracted a lot of attention. Thus, this study is looking for responding the question that if the price promotion will affect the customer assessment of quality and repurchase incentives in Amir chain stores in Karaj?

The research theoretical framework and conceptual model

Whole of the research project and plan is put on a theoretical framework which is its basis and a developed and complete network between the variables that are marked with the research source and literature review.

High quality product or service can lead to increase customer satisfaction, retention, market share and profit. The relationship between service quality, customer satisfaction and its impact on the behavioural motivations of the customer is considered broadly in studies. Fu and Parks concluded that perception of food quality has a significant relationship with their motivation for repurchase. Shanklin states that customer satisfaction can be a mediating factor in the relationship between service quality and behavioural motivators. Attitudes of Ramos and Franco are that price promotion has a positive impact on the perceived quality and the brand evaluation. Some studies show also that there is no important relationship between prices lead and repurchase behaviours Price and brand evaluation. In view of Shen, loyalty has a mediating effect in price promotion. Promotion measures of price are important tool for attracting consumers to repurchase. According to the study of Ortmeyer and Huber, the negative effect of price promotion in the study of quality and repurchase motivation is limited and has been less studied. Lemon and Nowlis showed that the use of price promotion in relation to Popular brands, have more profit than the brands that have been less known. Ragubyr and kurfeman studied the effects of Price promotion in brand investigation and realized that from the consumer viewpoint, brands which have been several times under-price promotion strategies are weaker or have lesser quality than the other Brands in the same industry [3].

According to the above mentioned contents and research, the theoretical framework of this research study is formed based on Huang et al. [3] and shoes the relationship between price lead and perceived quality of the product and service, customer satisfaction and repurchase motivations in a form of a theoretical model.

RESEARCH METHODOLOGY

The research method is a set of rules, tools, systematic and reliable methods for the study of realities, unknowns' discovery and access to problem solutions [4].

In general, research methods in behavioural science can be divided according to the following two criteria:

A) in terms of purpose: based on purpose, this study is divided to practical, basic and developmental type. Practical research is those studies that seek to find solutions of the research population. Developmental researches are looking for addition of researcher knowledge and basic research seeks to develop theories of a discipline.

B) In terms of the nature and method: Most of the research activities show a method or strategy that is simply recognizable and include certain common procedures such

as exposing the problem, gathering information and conclusion. There are several ways to classify research studies as like as causal, correlation, descriptive and methods.

The study of in terms of the nature and method is in causal research category, because the researcher is trying to evaluate the effect of price promotion in the quality of customer and repurchase incentives and statistical technique of structural equations have been used in this way that is a suitable method to analyse causal relation between variables. The research method shall be also applied on the basis of objective of the research.

In this study, field method is used in this research according to the data collection needed for the test of research hypotheses and to collect the needed data for research, the questionnaires were used. The questionnaire used in this study has 17 questions in evaluating the effect of price promotion in the quality of customer and repurchase incentives. To measure the indices, the five-item range of Likert was used.

In this study, the scale method of Cronbach's alpha was used to assess the reliability of the questionnaire. And the value of Cronbach's alpha coefficient was determined as 0.808 that by the fact that Cronbach's alpha coefficient was more than 0.7, the questionnaire is credible.

The research population includes customers of Amir Chain stores in Karaj. In this study, according to the technique of structural equations used to for data analysis, the following formula is used to determine the sample size:

$$5q \leq n \leq 15q$$

Because of the questionnaire questions were 17, the least sample must be between the 85 and 255 people. The questionnaires were distributed in this process and finally 300 questionnaires were completed using appropriate sampling method.

FINDINGS

This research hypotheses test has been done using structural equations modelling. Structural equations are a useful statistical technique based on hypotheses about the causal relationships between variables that test causal models with the linear equation system. Thus, structural equations modelling tests theoretical relationships between certain structural conditions and given tests and make it the causal estimate possible between unobserved variables and relations between the measured variables (observed). In general it is accepted that regression multivariate methods are resistant to violations of distribution normality of error sentences. Central Limit Theorem and large samples theory also allow that the LISREL critical ratios (t values) approach to the multivariate normal distribution [5].

This model's variables change to two covert and overt categories of variables. Overt

(rectangle) or observed variables are measured directly by the researcher, while the latent (oval) or not seen variables are not measured directly, but also are deduced based on relationships or correlations between measured variables. Hidden variables show a series of theoretical constructs such as abstract concepts that are not visible directly and are made and seen through other observed variables. Hidden variables in turn are divided to two variables of current receptor or endogenous variables, and current donor or exogenous variables. Each variable in structural equation modelling system can be considered as an endogenous variable and an exogenous variable. Endogenous variable is a variable affected from other variables in the model. In contrast, an exogenous variable is a variable that is not affected by other variables in the model but also is effective in turn.

The numbers or coefficients are divided into two categories in structural equations. The first category is entitled as measurement equations that are relations between latent variables (oval) and obvious variables (Rectangle). The equations are called as factor loads. The second category is structural equations that is relations among hidden and latent variables and are used to test hypotheses. The t coefficients for the structure and measurement model for sub-hypotheses, standardized coefficients for each variable of the study. These loads demonstrate the correlation between each observer variable (questions) and related factors. According to the presented model, relationships have been raised in the form of seven theories based on which four hypotheses with coefficient of gamma path and three hypotheses with coefficient of beta path have been raised.

As is clear from diagrams, price promotion variable is as independent variable, and variables of product's quality, service quality and customer satisfaction, motivation of repurchase are as dependent variables. In LISREL output diagrams, variables have been introduced with symbols that the price promotion(PP), quality of product(PQ), quality of service(SQ), and customer satisfaction(SA) have been raised as repurchase incentive(RPI).

The first hypothesis test

To study the effect of the price promotion in product quality, the t -statistic is used. According to the statistic t which is equal to (5.67) and this value is not in nonsense range (-1.96, 1.96), therefore can conclude that this is a meaningful hypothesis. Hence it is identified that Price promoting has a significant effect on product quality. On the other hand, the identified route between price promoting and quality of product is from gamma type with regard to the fact that is among an independent variable and the dependent variable and positive and meaningful. The results of this hypothesis make clear that price promoting has a positive effect on product quality and this hypothesis is accepted.

Two hypotheses testing

To study the effect of price promotion on service quality, t -statistic is used. According to the value of statistic t (4.70) and not being in nonsense range (-1.96,1.96),

therefore, can be concluded that this hypothesis is significant. So it is clear that price promotion has a significant impact on service quality. On the other hand, the proposed route between two variables price promotion and quality of service, given that is among an independent variable and a dependent variable, is from gamma type and is positive and meaningful. According to the obtained results of this hypothesis, it appears that price promotion has a positive effect on the quality of service and this hypothesis is accepted.

The third hypothesis testing

To study the effect of price promotion on satisfaction, t-statistic is used. According to the value of statistic $t(4.27)$ and not being in nonsense range $(-1.96, 1.96)$, therefore, can be concluded that this hypothesis is significant. So it is clear that price promotion has a significant impact on satisfaction. On the other hand, the proposed route between two variables of price promotion and satisfaction, given that is among an independent variable and a dependent variable, is from gamma type (0.32) and is positive and meaningful. According to the obtained results of this hypothesis, it appears that price promotion has a positive effect on satisfaction and this hypothesis is accepted.

The fourth hypothesis testing

To study the effect of price promotion on repurchase incentive, t-statistic is used. According to the value of statistic $t(4.17)$ and not being in nonsense range $(-1.96, 1.96)$, therefore, can be concluded that this hypothesis is significant. So it is clear that price promotion has a significant impact on repurchase. On the other hand, the proposed route between two variables of price promotion and repurchase incentive, given that is among an independent variable and a dependent variable, is from gamma type (0.28) and is positive and meaningful. According to the obtained results of this hypothesis, it appears that price promotion has a positive effect on repurchase incentive and this hypothesis is accepted.

Fifth hypothesis testing

To study the effect of product quality on satisfaction, t-statistic is used. According to the value of statistic $t(3.37)$ and not being in nonsense range $(-1.96, 1.96)$, therefore, can be concluded that this hypothesis is significant. So it is clear that product quality has a significant impact on satisfaction. On the other hand, the proposed route between two variables of product quality and satisfaction, given that is among two dependent variables, is from beta type (0.23) and is positive and meaningful. According to the obtained results of this hypothesis, it appears that product quality has a positive effect on satisfaction and this hypothesis is accepted.

Sixth hypothesis test

To study the effect of price promotion on satisfaction, t-statistic is used. According to the value of statistic $t(3.05)$ and not being in nonsense range $(-1.96, 1.96)$,

therefore, can be concluded that this hypothesis is significant. So it is clear that price promotion has a significant impact on satisfaction. On the other hand, the proposed route between two variables of price promotion and satisfaction, given that is among two dependent variables, is from beta type (0.22) and is positive and meaningful. According to the obtained results of this hypothesis, it appears that service quality has a positive effect on satisfaction and this hypothesis is accepted.

7th hypothesis test

To study the effect of satisfaction on repurchase incentive, t-statistic is used. According to the value of statistic t(6.48) and not being in nonsense range (-1.96,1.96), therefore, can be concluded that this hypothesis is significant. So it is clear that satisfaction has a significant impact on repurchase incentive. On the other hand, the proposed route between two variables of satisfaction and repurchase incentive, given that is among two dependent variables, is from beta type (0.49) and is positive and meaningful. According to the obtained results of this hypothesis, it appears that satisfaction has a positive effect on repurchase incentive and this hypothesis is accepted.

HYPOTHESIS RESULTS

The first hypothesis: Price promotion has a significant effect on product quality. According to the statistic t can be concluded that the hypothesis is significant. Therefore, it is clear that price promotion has a significant effect on product quality. On the other hand the outlined path between two variables of price promotion and product quality is positive, therefore, according to the results of this hypothesis it is clear that price promotion has a positive and significant effect on the quality of the product and since this result is consistent with the claim of researcher therefore, the hypothesis is accepted.

This hypothesis result is consistent with the research: The results of Huang et al. [3] research showed that price promotion activities have a significant effect on the quality of the product.

The second hypothesis: Price promotion has a significant effect on service quality. According to the statistic t can be concluded that the hypothesis is significant. Therefore, it is clear that price promotion has a significant effect on service quality. On the other hand the outlined path between two variables of price promotion and product quality is positive, therefore, according to the results of this hypothesis it is clear that price promotion has a positive and significant effect on the quality of the service and since this result is consistent with the claim of researcher therefore, the hypothesis is accepted.

This hypothesis result is consistent with the research: The results of Huang et al. [3] research showed that price promotion activities have a significant effect on the quality of the service.

The third hypothesis: Price promotion has a significant effect on satisfaction. According to the statistic t can be concluded that the hypothesis is significant. Therefore, it is clear that price promotion has a significant effect on satisfaction. On the other hand the made path between price promotion and satisfaction is positive so considering the results of this hypothesis it is determined that price promotion has a positive effect on satisfaction, and since these results are consistent with the researcher's claim so will be accepted.

This hypothesis is consistent with the achievements of the research: The results of Huang et al. [3] research showed that price promotion activities have a significant effect on customer satisfaction. The findings of Matzler et al. [6] showed that five dimensions of price (price quality, reasonable pricing, price transparency, price confidence, and relative prices) have strong impact on customer satisfaction of price and therefore his total satisfaction.

Kansugra confirmed that a fair price has a positive correlation with customer satisfaction and the fair price both directly and indirectly has a significant correlation with loyalty through satisfaction.

Fourth hypothesis: Price promotion has a significant effect on repurchase. According to the statistic t can be concluded that the hypothesis is significant. Therefore, it is clear that price promotion has a significant effect on repurchase incentive. On the other hand the made path between two variables of price promotion and repurchase incentive is positive so considering the results of this hypothesis it is clear that price promotion has a positive effect on repurchase incentive, and since these result is consistent with the researcher's claim so will be accepted.

This hypothesis's result is consistent with the achievements of the research: The results of Huang et al. [3] research showed that price promotion activities have a significant effect on repurchase incentive. Bowen and shoemaker found that loyal customers ask about the price while using services.

Fifth hypothesis: product quality has a significant impact on satisfaction. According to the statistic t can be concluded that the hypothesis is significant. Therefore, it is clear that the quality of the product has a significant effect on satisfaction. On the other hand the made path between two variables of product quality and satisfaction is positive so considering the results of this hypothesis it is clear that product quality has a positive effect on satisfaction, and since these result is consistent with the researcher's claim so will be accepted.

This hypothesis's result is consistent with the achievements of the research: The results of Kaftzupoulos and Sumas showed that the financial performance is affected by the product quality.

Sixth hypothesis: service quality has a significant impact on satisfaction. According to the statistic t can be concluded that the hypothesis is significant. Therefore, it is clear that the quality of serving has a significant impact on satisfaction. The

proposed route between service quality and satisfaction is positive so considering the results of this hypothesis, it is clear that the quality of service has a significant and positive impact on customer satisfaction, and as this result is consistent with the claim of researcher so the hypothesis is accepted.

This hypothesis is consistent with the achievement of results: The results of Huang et al. [3] showed that service quality has a significant impact on customer satisfaction. The results of Hapsary indicate that perceived value play a mediating a part role between service quality and customer satisfaction. Shin and et al. [7] concluded in a research that service quality has a significant impact on customer satisfaction.

Seventh hypothesis: satisfaction has a significant impact on repurchase incentive. According to the statistic t can be concluded that the hypothesis is significant. Therefore, it is clear that satisfaction has a significant impact on repeat purchase incentives. The proposed route between satisfaction and repurchase motivation is positive so considering the results of this hypothesis becomes clear that satisfaction has a significant and positive impact on repurchase incentives and as this result is consistent with the claim of researcher so the hypothesis is accepted.

This hypothesis is consistent with the achievement of results: The results of Huang et al. [3] showed that customer satisfaction has a significant impact on repurchase incentives. Rangbaran concluded that customer satisfaction affects the repurchase incentives. Shin and et al. [7] in a research concluded that customer satisfaction has a significant impact on repurchase incentives [8-11].

DISCUSSION AND CONCLUSION

In this study, the effect of Price promotion on customer quality investigation and repurchase incentives in Amiran chain store in Karaj was evaluated that in this regard the following five hypotheses have been proposed:

- 1) Price promotion has a positive and significant effect in product quality of Amiran chain store in Karaj.
- 2) Price promotion has a positive and significant effect in service quality of Amiran chain store in Karaj.
- 3) Price promotion has a positive and significant effect in satisfaction in Amiran chain store in Karaj.
- 4) Price promotion has a positive and significant effect in repurchase incentive in Amiran chain store in Karaj.
- 5) Product quality has a positive and significant effect in satisfaction in Amiran chain store in Karaj.
- 6) Service quality has a positive and significant effect in satisfaction in Amiran chain store in Karaj
- 7) Satisfaction has a positive and significant effect in repurchase incentive in Amiran chain store in Karaj

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