An Empirical Study of Service Quality and Repeat Purchase Behavior Between Foreign Brand and Domestic Brand

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Abstract. More and more scholars and managers have discussed the importance of service quality to repeat purchase behavior. However, there are few comparative studies about the different impact of service quality on purchase decision when customers face brands from different countries in the Chinese context. In order to examine the differences between foreign brand and domestic brand, this study collect data from 402 customers who purchased foreign brand and 346 customers who purchased domestic brand. The empirical results indicate that service quality is positively related to repeat purchase behavior. However, there are significant difference between foreign brand and domestic brand. This study provides additional theoretical understanding of the impact of service quality and suggestions for managers who can better make use of resource to influence repurchasing behavior.

Introduction

Chinese market offers a lot of market opportunity for both domestic and foreign brands. Service quality has become a critical factor to obtain differentiating service and make competitive advantages. However, empirical studies suggest that there are differences in attitude of Chinese customers toward foreign and domestic brands. Developing better service quality to remain customer retention has become the crucial issue faced by service providers.

There were numerous literatures focusing on various aspects of service quality since SERVQUAL were introduced into service fields [1]. Service quality was commonly recognized as a key factor in the competition and success of a firm [2]. It has been acknowledged that service quality has positive effect on behavior intention. The effect is divided into two aspects. First, high level of service quality will improve consumption experience, generate positive evaluation and ultimately attract new customers for enterprises [3] [4]. Second, when customers perceived service is higher than expected, they will keep purchasing and willing to pay a premium [3]. However, there is controversy about the effect of specific dimensions. For example, Parasuraman et al (1988) rank the five dimensions of service quality and proposed that reliability is the most important [1]. Contrary to their conclusions, Kitapci et al (2013) claims empathy is the most critical driver of customer satisfaction, while reliability has no significant effect [5]. Thus, this study explores service different impact of service quality on repeat purchase varying from foreign brand to domestic brand in the Chinese context.

Research Hypothesis

Numerous researches on service quality have been dedicated to the development of efficient and reliable instruments for measuring the construct. The most commonly used measure may be the SERVQUAL scale, which was devised by Parasuraman et al. in 1988. After purification, the scale include five dimensions: tangibles, reliability, responsiveness, assurance and empathy that can be adapted to meet the demands of scholars and practitioner. Tangibles means “the image of service providers’ physical facilities, equipment, and appearance of staff in”. Reliability refers to “the service provider’s ability to fulfill commitments and ensure business process stability as promised”. 
Responsiveness is defined as “willingness of service providers to help customers in a timely and appropriately manner”. Assurance is described as “the ability of service providers to obtain customers trust through professional knowledge and polite attitude”. Empathy means “attention to customer needs and the ability to provide targeted concern to satisfy needs”. These measurements also have been adopted by subsequent researchers and applied to various industries [2,5].

Previous researches have observed that service quality is a critical factor that enable firm to differentiate itself from competitors and gain a sustainable competitive advantage. Based on theory of means-end, Paul et al. (2009) develop a hierarchical model to analyze the factors that determine repeat purchase behavior [6]. They verify that attributes related with service are drivers of repeat purchase. Customer will choose same brand retailer which can provide higher experience than customer expectation when they need service again. For example, Boulding et al. (1993) propose that high level of overall service quality which can be realized by increasing perception or decreasing expectation will lead to repurchase and positive evaluation [4]. Saleem et al. (2017) also certify service quality has direct and positive effect on repurchase intention [7]. In addition, keeping sensitive and vigilant to customers’ demands and inquiries enables employee to provide timely help to customers, reduce customers’ cost of time, energy and capital, ultimately increase switch cost and customer retention [8]. Thus, we hypothesize that:

H1: Service quality has a positive effect on repeated purchase.

Research Method

The measures were adopted from existing and well-validated scales. At the same time, we conduct a double-translation to ensure the applicability of the scale in China. Then we pretest the questionnaire and modify the items further regarding experience of interviewee. The variables are measured by multiple-item scales. We adopt 7-point Likert Scale conventionally used in prior researches. Service quality refers to the extent of the discrepancy existing between customers’ expectations and perception of service. Based on Parasuraman et al. (1988), we divide service quality into five dimensions, including tangibles, reliability, responsiveness, assurance and empathy [1]. To account for possible effects of respondents, we include two control variables to our analysis: monthly income and education level.

We collect sample data through field research, divided into 402 foreign brands and 346 domestic brands. There are three industries in our data sample, including lap computers (30.35%), bags (34.97%) and phones (34.68%). The respondents we selected purchased on average 23.8 times in the past three months, ranked from 7 to 40. These respondents are aged between 18 and 48 years. The education level of our respondents is divided into four grades: high-school education, bachelors’ degree, master’s degree and doctoral degree. The largest proportion of them is bachelors’ degree, which account for 35.55%, while the least proportion is high-school education (15.90%). The level of interviewees’ income varies greatly, with the minimum value being 1007 and the maximum value being 30909. The average monthly income for these respondents was 11357 yuan.

Results

Before testing our hypothesis, we perform a factor analysis using varimax rotation method. The results of factor analysis indicate that service quality has five factors and that all measures have a satisfaction of validity, ranging from 0.53 to 0.83. To test our hypothesis, we perform a hierarchical regression analysis with the dummy variables. The results are presented in Table 1.
Table 1. Results of Regression Analyses (Repeat Purchase as Dependent Variable).

<table>
<thead>
<tr>
<th></th>
<th>Foreign Brand (n=402)</th>
<th>Domestic Brand (n=346)</th>
<th>Foreign- vs. Domestic-</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Parameter Estimate</td>
<td>Standard Error</td>
<td>Parameter Estimate</td>
</tr>
<tr>
<td>Intercept</td>
<td>-1.420</td>
<td>0.944</td>
<td>-1.038</td>
</tr>
<tr>
<td>Tangibles</td>
<td>0.132***</td>
<td>0.043</td>
<td>0.432***</td>
</tr>
<tr>
<td>Reliability</td>
<td>0.470***</td>
<td>0.064</td>
<td>0.227***</td>
</tr>
<tr>
<td>Responsiveness</td>
<td>0.391***</td>
<td>0.068</td>
<td>0.235***</td>
</tr>
<tr>
<td>Assurance</td>
<td>0.202***</td>
<td>0.073</td>
<td>0.195***</td>
</tr>
<tr>
<td>Empathy</td>
<td>-0.014</td>
<td>0.058</td>
<td>0.207***</td>
</tr>
<tr>
<td>Monthly Income</td>
<td>-0.053</td>
<td>0.088</td>
<td>-0.125</td>
</tr>
<tr>
<td>Education Level</td>
<td>0.045</td>
<td>0.076</td>
<td>0.017</td>
</tr>
</tbody>
</table>

Note: **p<0.05; ***p<0.01.

Numbers in the last column (Foreign- vs. Domestic-) are F-value. The numbers are used to test the significance of effect difference between foreign brand and domestic brand.

From Table 1, we can see that five dimensions of service quality have significantly positive impact on repeat purchase when respondents use domestic brand product. The most important dimension is tangibles (β= .432, p< .01). The possible reason is that useful equipment and clean appearance will increase customer trust, enhance brand image and encourage customers to purchase again. Contrary to domestic brand, when it comes to foreign brand, the most important factor is reliability (β= .470, p< .01), while tangibles is the least important (β= .132, p< .01) except empathy. Empathy is not correlated with repeat purchase (β= -.014, p> .10).

We also compare the importance of five dimensions to repeat purchase between foreign and domestic brand. Surprisingly, the most significantly different dimension is tangibles. This may be due to the weak brand effect of domestic brand. Customers usually value their usage experience by Store decoration and personnel appearance when they buy domestic brand again. In addition, notable differences are existed between reliability and empathy when customer decide to purchase foreign and domestic brand. However, the effect of responsiveness and assurance on repeat purchase has no significant difference between foreign and domestic brand.

Conclusion

Our results contributed to the exiting literature in three ways: First, we confirm empirically the effect of service quality on repeat purchase. All dimensions of service quality has significantly positive effect on repeat purchase except empathy. Second, we find the dimensions of service quality are unequally important for repeat purchase. Tangibles is the primary driver of repeat purchase when customers choose domestic brand. And reliability is most important factor for increasing times of purchasing foreign brand again. Third, we compare the difference of effect of service quality existing foreign and domestic brand. The importance of tangibles, reliability and empathy to repeat purchase existing significant difference between foreign and domestic brand.

These results provide suggestions for managers of different brand. If foreign brand aim to achieve higher repeat purchase, they should focus on reliability and responsiveness because they can influence customers’ attitude towards brand and determine their subsequent purchase behavior. And the benefits obtained from empathy are limited. For domestic brand, it’s better to investment in tangibles and responsiveness.

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