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# The Impact of Differentiation Strategies on the Women Fashion-Clothing' Performance

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## Abstract

Companies need innovation and initiative to win the competition, and to do this, they adopt differentiation strategies through customer satisfaction to survive in the market. The research studies the impact of differentiation strategies, including product differentiation, employee differentiation, service differentiation, distribution differentiation and image differentiation on the performance of fashion clothing companies. We examined the mediating role of customer satisfaction in the relationship between differentiation strategies and performance. Our sample includes 100 women's clothing mesons in Tehran. The results show that the distinction between product and staff and image have a positive and significate effect on the performance of fashion companies. Our finding also shows the customer satisfaction mediates the relationship between differentiation strategies and women fashion clothing performance.

**Keywords:** Differentiation Strategy, Customer Satisfaction, Performance, Women's Fashion Clothing

## 1. Introduction

The differentiation strategy seeks to provide products or services that offer benefits different from those of other competitors and are of great value to the buyers (Johnson et al., 2007). The goal of using the differentiation strategy is to achieve a competitive advantage. For example, Zara's clothing brand is creating a competitive advantage through quality products and affordable prices. The differentiation strategy should be based on two key factors: strategic customers that the companies identify their needs and whatever they value, and the main competitors that the companies are identifying to compete with (Hitt et al., 2009)

Competitive strategies are in fact a group of organizational strategies that are capable of adapting to a complex competitive environment. It is necessary that such companies achieve desirable performance in a competitive environment including maximizing profits in order to increase and improve the companies' stocks value. So, it can be concluded that performance is a very important indicator for evaluating the effectiveness of a competitive strategy (Barney, 2001)

The activities of the companies are focused on the preparation and production of a unique product or service in a differentiation strategy. In this strategy, the company tries to get a price higher than usual from the customers by providing the customers with a unique product (Porter, 1985). Organizations need continuous innovation and initiative in order to remain at the top of the competition, especially in product development. It is necessary for the companies to take a differentiation strategy in order to do a superior job, to always be in the vanguard (Ghemawat, 1986)

According to Porter, a company may compete as a low-cost producer in the industry (cost leadership strategy), or through producing unique products that differ in quality, physical characteristics, or product-related services comparing with other competitors' products (Porter, 1996).

The aim of the differentiation strategy is to provide the customers who are not very sensitive to the price with the products that are distinct from competitors' ones. In this case, the organization can be more flexible in terms of delivering products and services, also it has more potential to adapt to changing environments, and spend less on maintenance of machinery (Porter, 2008). The differentiation strategies include product, services, employees, distribution channels and image differentiation. This research aims to answer whether these differentiation strategies have a positive impact on the fashion companies' performance. Does this effect increase with customer satisfaction? This study covers the literature available in this field by showing the positive effect of customer satisfaction on the fashion companies' performance, as well as the effect of differentiation strategies on fashion companies' profitability. Finally, the result of this study has valuable consequences for women's clothing mesons.

## **2. Differentiation strategies and performance**

In the today's changing world of business and economic environment the revenue, market share, and products adaptation to customers' needs are very important. Customers are demanding lower prices for quality services and products due to technological changes. This increase in global competition has led to a decline in the product lifecycle. Organizations tend to gain a competitive advantage or increase the organization's performance comparing to their rivals (Raduan et al., 2009). Porter's overall strategy to achieve the competitive advantage includes cost leadership and product differentiation. The company's differentiation strategy includes creating some of the unique aspects of the products and services according to the customers' needs, which satisfy the customers. The cost leadership stresses the lower costs than competitors. He argued that these two strategies are incompatible; however, recent research studies have concluded that organizations can sometimes use both strategies (Chenhall et al., 1998). However, recent research has shown that the differentiation strategy is an important and distinct tool for achieving a competitive advantage in a number of manufacturing organizations. To achieve competitive advantage, the companies seek to create the best fit between organizational capabilities and market opportunities. Organizations must continually look for opportunities to create the highest values. Organizations tend to create differentiation in manufacturing processes, product features, brand, location, and many other aspects. Differentiation is an important factor in determining the success and failure regarding the resources in competitive advantage (Porter, 1985). The product differentiation strategy is a competitive advantage tool that is used by the organization to provide the customers with satisfying products, which is used according to their needs. Customers are willing to pay more if they get the model, size, and style, which they needed. Quality of products is a major distinctive factor. Therefore, achieving competitive advantage is carried out through product differentiation (Shammot, 2011).

Since customer retention cost is much lower than new customer acquisition, customer retention is likely to increase the profitability of a company. The profit-sharing service generates relationships between profitability, customer loyalty, customer satisfaction, and employee satisfaction. Profit and growth are firstly created by customer loyalty, which is a direct result of customer satisfaction. Satisfaction is largely influenced by the service provided to customers by satisfied, loyal, and productive employees. (Heskett, 1994). The satisfied employees are likely to create satisfied customers, and satisfied customers will create happy shareholders.

Employee satisfaction plays an important role in helping with financial goals (Koys, 2003). The rationale for this argument is that if a company cares about its employees, it cares for its customers. Customers have a better shopping experience with organizations whose employees are more satisfied with their jobs. Better wages, as well as continuing training in such a way that employees feel safe, can define employee retention. (Gursoy, 2007)

The design of a strong brand has been of great importance in the commercial market. A strong brand is the most powerful asset of a company, and various companies recognize its importance. Kapferer (2004) argues that a brand is a significant factor in the society and the firm's brand can be a part of the business capital. A strong brand is a great way of identifying products and services. The brand is a combination of words, images, and sound. Creating a strong image of a brand can be a powerful strategy to reduce uncertainty in product valuation and increase purchasing decisions. A well-known brand creates a competitive advantage in relation to a positive mental image, increasing interest, attention, positive evaluation of the product, and encourage re-purchasing. Consumers are more likely to consider the familiar brands and work harder to process information about famous brands. When consumers are confronted with lack of knowledge of product features and are uncertain about a product, brands play an important role in reducing perceived risk and evaluating the quality of a feature (Markwick and Fill, 1988).

Companies can gain a competitive advantage through the distinctive design of their distribution channels. Channel differentiation is done through different means including differentiation in the distribution of the company or selling and offering products to the customers. It includes the expertise of channel managers and channel efficiency in ease of ordering, service, and employee (Kotler and Keller, 2007). Distribution channels consist of many different factors including a broad category of wholesalers, retailers, customers, and users. Each of them has certain responsibilities to others. These obligations must be in line with the correct functioning of the channel (Kali, 1996)

### **2.1. Product differentiation**

Product differentiation refers to the unique features of a product compared to the competitors' ones. The tool derives from product differentiation, which is resulted from product's features. The product's profit can be attributed to the tangible and intangible properties of a product. Tangible benefits may also be service features, such as a place where the product is sold. Tangible benefits may be due to visual features such as validity, status, and attractiveness. The concept of product differentiation appears in apparent, services, and image features. For example, the image may be related to packaging (the physical feature) and the distribution that the sales are doing through it (services feature) (Porter, 1976). The concept of competitive advantage has been taken into consideration in recent years. One of the major challenges in discussing business strategies is how to achieve a competitive advantage. While there are several methods for brands differentiation, identifying the product differentiation plays a very important role in gaining competitive advantage (Sharp and Dawes, 2001). A differentiation is made when a company or brand introduces its products and features better than the competitors. The product differentiation strategy is a competitive advantage tool that is being used by the organization to provide customers with satisfying products, which is used according to their needs. Customers are willing to pay more if their model, size, and style are provided. Product quality is a major differentiation factor. Therefore, the competitive advantage is gained through product differentiation (Shamnot, 2011).

### **2.2. Services differentiation**

Markets have become very competitive and constantly changing (Neu and Brown, 2005). In response to changing market conditions, manufacturing companies have become more customer-oriented and innovative, and produce the products according to the to customer needs. (Deshpande et al., 2005).

The differentiation services mean different methods for achieving competitive advantage through services. It is a strategic method to attract distinct services, customer support services, business consulting, integrated services, and operational services. Business consulting, especially strategic advice, should be done by analyzing customer business and identifying problems in a customer organization based on experience (Davies, 2004)

Services lead to the creation of unique resources which are hard to imitate. (Vandermerwe, 1984). Customer services lead to more product supply and improved customer engagement quality. (Mathieu, 2001). While customer services create a final share, the products are the main sources of profit and income (Eliva, 2003). The product differentiation through customer orientation and innovation is the first priority for a product. In contrast, service providers are not limited to providing customer services. They provide a comprehensive range of services, including product installation services, design, and construction of services, valuable solutions, systems integration services, or outsourcing services (Davies, 2004).

The differentiation between products is easier than the differentiation of services because the products are more tangible, however, when the product cannot be distinctive, adding valuable services or improving their quality can be the key to competitive success. Services have a great effect on whether the customer is returning or not; therefore, the differentiation between the services is really important for all companies (Bruhn and Georgi, 2006).

### **2.3. Employees differentiation**

Globalization and market differentiation continue to drive business change and increase global competition. Today, the return on investment to financiers and managers depends on how to deal with unexpected changes. The ability to respond quickly and appropriately (based on the time of competition) and satisfying the customer needs are of competition and success features for many companies (Gursoy and Swanger, 2007). Employees' knowledge and skills are the intangible assets of service companies. The company's future depends on the perceived quality of interactions between customers and employees (Matzler and Rernzl, 2007). Service companies need to allocate a lot of resources to maintain their employees. Studies show that maintaining the employees and keeping the customers are directly related. The employees who are happy in their work environment are more likely to stay in the company. This will result in fewer job vacancies which result in more financial performance due to the lower cost of recruiting and training new employees. Satisfied employees usually provide better services and provide a satisfying service experience for their customers. This satisfactory service experience leads to re-purchasing and customer retention.

Since satisfied employees work harder and are more motivated, the customer satisfaction is directly related to the performance of the organization, and customer satisfaction is directly related to employee satisfaction. Therefore, the employee differentiation increases profits. Today, a growing number of organizations are using the differentiation strategy to serve their customers including financial institutions, hospitals, banks, airlines, retail stores, restaurants, manufacturers, wholesalers, and restaurants. They are maintaining and supporting their customers. Having long-term relationships with customers is one of the most important strategies for having long-term relationships with customers (Rifat and Sarah, 2004).

Rifat and Sarah (2004) measure the differentiation employees through fifteen variables: knowledge for performing a specific task, skill, organizational culture, positive and friendly behavior, high understanding or knowledge, correct movements, appearance, and attitude, ability to manage time, managing customers with care and respect, notable mind, respect and honesty, consistent and accurate services, good communication skills, degree of cooperation with customer requests, willingness to solve problems, ability to recognize customer priorities.

### **2.4. Image differentiation**

A company image can be understood as a general understanding of the company. The image can be generated by promotional activities, environmental factors, rivals' activities, or mouth-to-mouth advertisements. The image, as a result, includes all the experiences, values, and impressions that external actors possess about the company. The company has many shareholders with different backgrounds, as a result, we cannot expect that the image of all stakeholders to be the same. In other words, a company has multiple images (Markwick and Fill 1997). The product brand is one of the factors that are increasingly important in the fashion industry. A product brand can give a deeper meaning than just identifying the product and the company that produced it. The brand is usually

associated with a variety of features including monopoly, luxury, good quality, and excellent fashion (Melin, 1992).

The effective image provides three things for a product or a company. It created planned product personality, distinguishes the products from competing products, and generates the emotional power. Kotler and Keller (2007) state that when products compete alike, buyers may pick a differentiation based on the brand image. An image is a powerful tool for using differentiation.

Attention to marketing activities as a tool to penetrate in customers' mind and the creation of intellectual property as the brand is a new perspective in marketing science. Various studies have shown that there is no real value within the product or service, however, this value is in the mind of real and potential customers. It is the brand that brings real value into the minds of the customers.

A study entitled "Investigating the effect of the mental image of grocery stores, distance, and customer satisfaction" conducted by Hsu et al. (2010) in the Western U.S. university campus, shows that the mental image of the grocery store which is known through three key components of marketing features, store space and services, and marketing attractiveness. The store distance has a significant positive relationship with customer satisfaction, which retailers must seek to address the weakness of the distance.

### **2.5. Channel differentiation**

One of the most important challenges for marketing managers and manufacturers is to transfer their manufactured goods to the target markets. Accordingly, the decision on how to transfer goods to a place of purchase or consumption is one of the important decisions that marketing director faces. The importance of the decisions made on distribution channels is due to the fact that the company has to adhere to these decisions for a long time, because, it takes several years for a distribution system to be properly deployed and it is not easy to change. The manufacturer or wholesaler should decide on how to distribute the products. Distribution should be made in such a way as to facilitate the sale and supply of the product when needed.

Companies can gain a competitive advantage through the distinctive design of their distribution channels. Channel differentiation is achieved through different methods, such as differentiating in the distribution of the company or selling and offering products to the customers. It includes the expertise of channel managers and channel efficiency in ease of ordering, services, and employee (Kotler & Keller, 2007). Distribution channels consist of many different factors. A broad category includes wholesalers, retailers, customers, and users. Each of them has certain responsibilities regarding the others. These obligations must be in order to realize the correct channel performance (McCalley, 1996).

An intermediary or a distributor's business position can be an important indicator in the choice of distributors (Braglia and Petroni, 2000). Manufacturers often want to obtain information about current and former customers of the distributors, therefore, the infrastructure of the distribution companies and their rivals are important. Knowledge and expertise of distributors are related to the amount of knowledge and expertise in that industry. The distributors who have enough expertise and knowledge about the products and services in a particular industry are more successful in providing the products and communicating with the customers (Kaleka, 2002).

The financial capability shows that the distributors with a good financial status create the ability to sell a large number of products for the producers. The financial capability represents both power and the overall performance of the company (Barli and Petro, 2004). According to Ray Doun and McCorkel (2002), the reason why a buyer often prefers to buy from a given channel instead of another channel depends on the time it takes to wait and the attempt to be made. The buyer selects this channel by comparing money, time, mental rewards, and investigating possible risks of each distribution channel.

### 3. Differentiation Strategies and Customer Satisfaction

According to Helir et al., customer satisfaction is the amount of overall enjoyment or customer satisfaction, and as a result the ability of the product or service to satisfy their desires, expectations, and needs. By reviewing the researchers' point of view on the definitions of satisfaction, it can be seen that there are three main factors in all definitions that the combination of these factors can provide the basis for a comprehensive definition of satisfaction. These factors include customer satisfaction, emotional (affective) response, or a state of mutual understanding and cognition.

Customer satisfaction with the store is defined as an overall customer assessment of the experience gained from the store and its mental image of the store and satisfaction resulting from the overall customer assessment of all the stimuli affecting the customer in the store. (Theodoridis, 2009)

Customer satisfaction requires planning and endeavor. Customer satisfaction is a tool and a competition. It is difficult to imitate the competitive advantage gained from customer satisfaction, and employee differentiation for competitors is very difficult, especially if the company is more dedicated to providing customer services. If the employees have empathy with each other and they have a good relationship with customers, imitating this quality is very difficult for customers (Shemwellet, 1998). Customer satisfaction is crucial for the financial performance of the organization. Providing customers with excellent services that exceed customer expectations is an opportunity for growth (Kliford and Kong, 1985). Customer satisfaction is a key factor in increasing the performance and is the key to success for any service company (Gursoy and Swange). Since satisfied employees work harder and are more motivated, customer satisfaction is directly related to the performance of the organization, and customer satisfaction has a direct relationship with employee satisfaction. As a result, employee differentiation boosts profits. Today, a growing number of organizations are using employee differentiation strategies to serve their customers, including financial institutions, hospitals, banks, airlines, retail stores, restaurants, manufacturers, wholesalers, and restaurants which are maintaining and supporting their customers. To have long-term relationships with the customers is a very important strategy to have long-term relationships with the customers (Rifat and Sarah, 2004).

In a study entitled "The characteristics of the mental image of the store and customer satisfaction among different types of customers in the supermarket sector in Greece" by Theodoridis and Chatzipanagitou in 2009, they sought to achieve two goals: the development of a functional study of the relationship between the features of the mental image of the store in the context of the Greek market and customer satisfaction, and investigation of the stability of structural relations between the features of the mental image of the store and the customer satisfaction among different groups of customers. In this study, the literature on the mental image of large stores has been systematically investigated. The features of the mental image are estimated based on factor analysis and path analysis and determining the relationship between the features of the mental image of the store and customer satisfaction. The features of the mental image in this study which includes dimensions such as marketing, products, store atmosphere, employee and price have a positive and direct effect on the customer satisfaction. Also, the effect of the features of a mental image on customer satisfaction are different among different groups of customers.

Burner et al. (2008) conducted research entitled "Satisfaction, image, and loyalty: against the experience of customers." They state that customer satisfaction and mental image are among the important factors that are being studied due to their effect on customer loyalty. The results of this study indicate that there is a difference between the new customers and the old ones. New customer satisfaction is more influenced by their mental image of the store. This research proposes an integrated model of satisfaction, mental image, shop re-purchasing, and loyalty, and analyzes these variables in the model.

Faullant et al. in a study entitled "The effect of customer satisfaction and mental image on loyalty," investigated variables such as dimensions of the mental image, satisfaction and behavioral intentions, and customer loyalty. The results show that customers with the highest degree of satisfaction and mental image are more loyal. In the first glance, overall satisfaction is more important than mental image, However, with increasing the number of

purchases, the importance of overall satisfaction in creating loyalty decreases and the importance of mental image increases relatively.

#### **4. Customer Satisfaction and the Performance of Fashion Companies**

Customer satisfaction is the desirability of the customer due to different product characteristics. Customer satisfaction leads to the loyalty of customers, and as a result of the company's reputation also increases the profitability of the company (Anderson et al., 1994).

Today, with the growing competition in the manufacturing and service sectors, the role of customer loyalty has become more prominent than the past. In today's view, marketing involves customer growth, that is, attention to satisfaction and quality from the customer's point of view, and customer loyalty and effective communication with him/her. As a result, organizations are trying to have loyal customers.

In addition to re-purchasing or using the services from his/her favorite organization, a loyal customer as an additional factor in advertising the goods and services of the organization plays an important role in promoting the profitability and improvement of the image of the organization in the minds of potential customers through advising other people. Due to several factors, such as the amount of re-purchasing, communication, and verbal recommendations, and reducing the tendency to switch or change supplier source, companies that have more shares of loyal customers increases the profitability of their organization (Reichheld, 1990).

Through the studies of the final service chain, the relationship between customer satisfaction and financial performance should be positive, however, while some studies indicate that this relationship is positive (Bernhardt et al., 2000; Nelson et al., 1992) others argue that customer services, understanding quality, and satisfaction sometimes, but not always, make a profit.

Bernhardt et al. (2000) have concluded that there is a positive and significant relationship between changes in customer satisfaction and changes in the financial performance of a company. However, in the short term, this positive and significant relationship may be hidden by many factors, however, it may be positive in the long term. Several other scholars have shown that the relationship between customer satisfaction and financial performance may be positive (Torno and Willy, 1991). However, there are some studies that are not consistent with these findings (Anderson, 1994).

In a study entitled "The characteristics of the mental image of the store and customer satisfaction among different types of customers in the supermarket sector in Greece" by Theodoridis and Chatzipanagitou in 2009, they sought to achieve two goals: the development of a functional study of the relationship between the features of the mental image of the store in the context of the Greek market and customer satisfaction, and investigation of the stability of structural relations between the features of the mental image of the store and the customer satisfaction among different groups of customers. In this study, the literature on the mental image of large stores has been systematically investigated. The features of the mental image are estimated based on factor analysis and path analysis and determining the relationship between the features of the mental image of the store and customer satisfaction. The features of the mental image in this study which includes dimensions such as marketing, products, store atmosphere, employee and price have a positive and direct effect on the customer satisfaction. Also, the effect of the features of a mental image on customer satisfaction are different among different groups of customers.



Table 1: Studies on fashion industries

Researcher	Year	Population (sample)	Main findings
Bokhari et al.	2014	Customers of 150 Bangladesh Banks	The employee differentiation leads to more satisfied customers, resulting in more profits for the company.
Dirisu, Iyiola, and Ibidunni	2013	323 company customers	There is a positive relationship between product differentiation and organizational performance.
Jahanshani	2014	234 Tata Motors customers	There is a positive and significant relationship between customer satisfaction and increase customer loyalty. The quality of customer services and the quality of products lead to customer satisfaction.
Gebauer, Gustafsson, and Witell,	2011	332 manufacturing company	The differentiation of services has a positive effect on the customer orientation of the companies which lead to more investors' benefit
Kandampully and Suhartanto	2000	237 guests from New Zealand chain hotels	The positive image of the organization and customer satisfaction have a positive effect on the organization customer loyalty.
Chi and Gursoy	2009	Staff and customers and managers of 50 hotels	Customer satisfaction has a direct effect on the financial performance of the companies. However, employee satisfaction does not directly affect the performance of the companies, and its effects are due to customer satisfaction.
Namubiru & Nabeta	2014	104 companies	The image of public companies has a direct effect on organizational performance.
Wallace, Giese, and Johnson	2004	103 retail customers	Retailer channel strategy leads to customer satisfaction by increasing the output of customer services
Chen and Kim	2013	Chinese consumers	Showing that face-saving and social connection, two important dimensions in Chinese culture, do not have a significant impact on consumer purchase intentions
Kamal and Chu	2103	American and Arab young social media users	Showing that a positive relationship exists between materialism and consumer purchase intention towards the luxury fashion products
Zhang and Kim	2013	Chinese consumers	Indicating that brand consciousness, social comparison, and fashion innovativeness all have a statistically significant impact on consumer attitude towards purchasing luxury fashion goods
Kim and Ko	2012	Consumer survey	Revealing that the effects of the constructs "entertainment, interaction, trendiness, customization, and word of mouth" on value equity, relationship equity, and brand equity are positive
Kim et al.	2012	American consumers	Proving that the factors such as the experiential need and fashion involvement

			are critical in affecting the consumers' attitude towards luxury fashion brands
Yoo and Lee	2012	Consumer survey	Revealing that an asymmetrical effect exists in which past experiences with real original luxury fashion brands are negatively correlated to consumer purchase intention of counterfeits
Jung and Shen	2011	College women from a university in China and a large public university in the USA	Showing the cultural differences in which the American consumers possess higher score in perceived quality, brand awareness, brand association than the Chinese counterparts

According to the literatures, we suggest the following conceptual model:

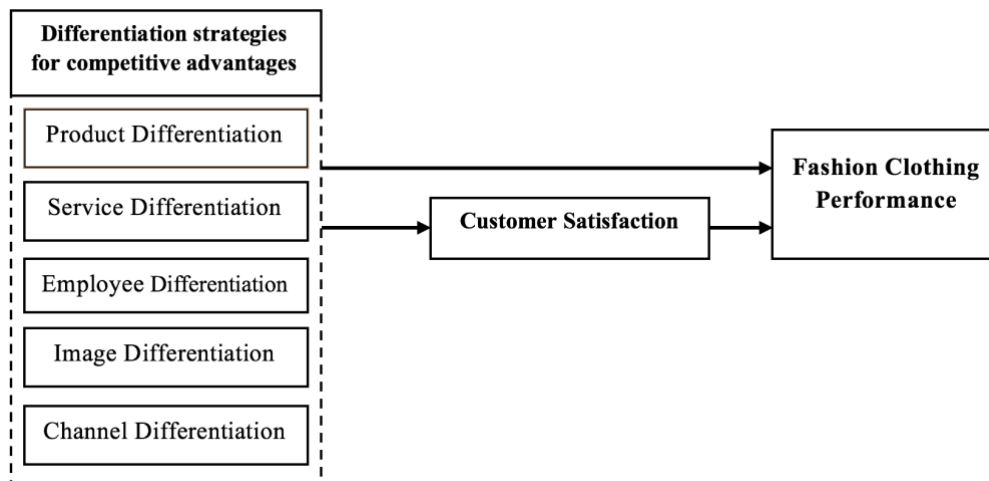


Figure 1: Conceptual framework of the research

## 5. Research Methodology

Considering that, its purpose is to investigate the strategies of differentiation in the fashion industry, consists of businesses in the women's clothing fashion industry and includes all women's clothing mesons in Tehran. Women's clothing mesons in Tehran have a lot of geographical dispersion, and the sampling of these mesons is very time-consuming and costly. There are licensed mesons and unlicensed (uncertified) mesons in women's clothing industry in Tehran. Considering that, licensed mesons are somehow more trusted and reliable through their permission. However, our samples only include licensed women's clothing mesons. There is a total number of 300 certified women's clothing mesons in Tehran. We have distributed questionnaires to 144 women clothing mesons, and we have received 108 questionnaires. Therefore, due to non-complete questionnaires and missing data, our final sample included 100 women clothing mesons.

Our samples include two groups of respondents. The first group are the mesons managers and the second group is fashion-clothing consumers. Considering the fact that two questionnaires were used in this research; one for the managers of the mesons and the other for the customers of the mesons, a questionnaire for the managers and two questionnaires for the customers of the mesons were distributed in each meson. Since each meson has only

one manager, the questionnaire for the managers of the mesons distributed among the managers of clothing meson.

Thus, we used 30 questionnaires as a pre-test to determine the reliability of the questionnaire. The initial reliability by Cronbach's alpha using SPSS software. At this stage, questions or items that were weak removed from the questionnaire, or revised if the wording of them was inappropriate or there was ambiguity in them, then the final questionnaire was distributed.

In order to increase the validity of the questionnaire, we have used the previous standard questionnaires prepared and used by previous studies, and the items in other questionnaires were used to design the questionnaire in this research. In addition, the viewpoint of a number of management professors, Ph.D. students, and experienced individuals and fashion experts used in the study in order to investigate the content validity of the questionnaire. However, their views were considered in the revision and completion of the questionnaire. We applied structural equations models (SEM) using Partial Least Squares (PLS) software. Since PLS has the potential to run a model with much lower sample size.

However, the research variables are as follows:

**Independent variables:**

**Product differentiation:** This is a marketing concept that was first introduced by Edward Chamberlain in 1933 in the theory of monopoly competition. Product differentiation is a process in which a product is distinct from other products of other competitors, and its creation is more attractive for a specific target market (Anderson and Palma, 1992). Product differentiation is measured using five variables: providing high-quality products, fast delivery, development and design of new products, introducing new product and providing unique product features (Chenhall and Longfield, 1998).

**Service differentiation:** Service differentiation plays a very important role in customer re-purchasing. It can be achieved by adding more value services including installation, repair, training, and customer consultation (Kotler, 2000). Davies and Schul (1993) have created measurement scales for brand differentiation (developing brand identification, innovation in marketing techniques, advertising and promotion), product differentiation (specially manufactured products, emphasis on high-priced products, custom design or production), and service differentiation (emphasis on customer services, fast delivery/instant response command, and focus on special needs of customer).

**Employee differentiation:** Companies can create competitive advantage through a trained employee. These employees must have six attributes including competency, courtesy, reliability, accountability, and proper communication (Kotler and Philip, 2000). Rifat and Sarah (2004) measure employees differentiation through 15 variables: knowledge for performing a particular task, skill, organizational culture, positive and friendly behavior, high understanding or knowledge, correct movements and good appearance and attitude, ability to manage time, managing customers with care and respect, remarkable mind, respectful and honest, consistent and accurate services, good communication skills, collaboration with customer requests, tend to solve problems, and the ability to recognize customer priorities.

**Channel differentiation:** Companies can achieve a competitive advantage through the proper design of their distribution channels. Channel differentiation is a way that distribution companies use to deliver their products (Kotler and Keller, 2007).

**Image differentiation:** Specifies that when products compete in the same way, buyers may perceive a differentiation based on the brand image. An image is a powerful tool for using differentiation. (Kotler and Armstrong, 2010). Different dimensions of the store image: the store image is composed of dimensions such as design and architecture, signs and colors, advertising and sales staff (Martinio, 1958). Lindquist (1974\_1975) developed the image of the store in nine dimensions: commodity, services, customer care, physical facilities,

promotion convenience, shop atmosphere, institutionalized factors, and after-purchase satisfaction. James' et al. (1976) study which conducted in line with Lindquist's study considered these six dimensions as the main dimension: classification, staff, atmosphere, services, quality, and price. According to O'connor (1990), the elements determining the image of the store are price, variety, categories of products, quality, products and services (or lack thereof), and the location of the store. The most common dimensions of the image of the store, which are referred to in the research, include the goods, services, and customer orientation, physical facilities, promotions, convenience, and shop atmosphere, which are similar to the Lindquist's dimensions (Peter and Olson, 1990).

**Mediating variable:**

Customer Satisfaction: Customer satisfaction is a result of the comparison before the customer's purchase and expected performance with perceived actual performance and paid cost "(Beerli et al., 2004). Customer satisfaction measurement based on SERVQUAL model, which includes the following dimensions:

Tangibles: Includes physical features, equipment, and appearance of staff and communication devices.

Reliability: The ability to perform the committed services completely and reliably.

Responsiveness: Includes customer assistance and prompt service provision.

Guarantee: Includes knowledge and decency of employees, and the ability to build trust in the of services.

Empathy: Includes dedicated attention that the company provides for its customers.

Improvement: The ability of the organization to remedy a potential problem.

This model consists of two parts: measuring customer expectations, measuring customer reception (Kavousi, 1384).

**Dependent variable:**

The performance of fashion clothing mesons: Armstrong (1994) defined performance as achieving the goals whose quality and quantity are determined. The performance of one of the most important constructs in management research and is the most important measure of success in business firms. Maydeu et al. (2003) have measured organizational performance through market share, sales growth, and the rate of return on capital, whose information is obtained by the mental responsiveness of the organization's managers to questionnaires through Likert scale. For example, Paham (1997) places performance components into three categories:

- Organizational effectiveness: product quality, new product success, customer retention rates.

- Growth / Share: sales level, sales growth rate, and market share.

- Profitability: return on investment, gross profit margin.

**6. Analysis and results**

The results of the Shapiro-Wilk test show that the assumption of the normal distribution of a number of variables cannot be accepted ( $P < 0.01$ ). The significance level obtained for the four variables of image differentiation, employee differentiation, service differentiation, and product differentiation is less than 0.01. However, the significant level of three variables of customer satisfaction, the distribution channels and differentiation, and fashion company performance is more than 0.01, which indicates that the data is normal. Generally, the results indicate that the distribution of the mediator and dependent variable is normal, however, the distribution of independent variables is abnormal.

Table 2. Factor loading results of questionnaire items

	<b>Items</b>	<b>Factor loading</b>	<b>CR</b>	<b>AVE</b>
Service Differentiation	We provide our after-sales service to our customers.	0.43	0.79	0.34
	We increase the value of our goods through their diverse packaging.	0.44		
	We use celebrities (artists, actors, and athletes, etc.) to advertise.	0.76		
	We provide online sales services.	0.89		
	Our customers can find the bulk of their needed items at once.	0.44		
	The delivery of goods and services is on time and fast.	0.52		
	We are responding promptly to requests or complaints from our customers.	0.56		
	We have skilled and experienced staff.	0.60		
Product Differentiation	Models and styles of our product range are distinct from competitors.	0.73	0.87	0.35
	Our products are well positioned to be easily accessible to customers.	0.36		
	We make vigilant efforts to differentiate our products from competitors.	0.52		
	We offer limited products in comparison with competitors.	0.55		
	We continuously increase the number of new products.	0.31		
	We introduce innovative products better than our competitors do.	0.66		
	We are always ahead of competitors and the first manufacturer of new products.	0.64		
	We are investing heavily in research and development.	0.49		
	Our products and services have created a strong brand.	0.67		
	We strive to build a strong reputation in the industry.	0.46		
	We always monitor the activities of our rivals.	0.70		
	We produce our products in custom.	0.77		
	We mainly produce the products.	0.68		
Channel Differentiation	We sell our products directly (by telephone, online or mail order) to our customers.	0.68	0.86	0.41
	We sell our products through dealers, wholesalers or retailers.	0.64		
	We have stores and distributors in different parts of the city and country.	0.88		
	Our products are easily available and delivered on time.	0.76		
	We have internet and online sales on social networks (Facebook, Instagram, Telegram, etc.).	0.68		
	Our distributors and vendors have the necessary training.	0.73		
Employee Differentiation	The employees of the company have the skills to do the job	0.61	0.89	0.48
	The employees of the company are attentive and polite to deal with customers.	0.61		
	The employees of this company are well equipped.	0.64		
	The employees of this company have high communication skills and are available to customers.	0.80		
	The employees of the company have the ability to understand the needs and preferences of their customers.	0.68		
	The employees of this company are honest and intimate.	0.79		
	The company's staff collaborates with customers to respond to requests and fix their problems.	0.72		
	The staff of this company provides accurate and stable services.	0.62		
	The employees of this company have a positive and positive attitude.	0.72		
Performance	Percentage of sales of new products compared to competitors in the last three years	0.76	0.91	0.57
	The growth of market share compared to other rivals in the fashion industry in the last three years	0.74		
	Sales growth compared to other rivals in the fashion industry over the past three years	0.79		

	The rate of return on investment compared to other competitors in the fashion industry in the last three years	0.76		
Customer Satisfaction	I am very pleased with the decision to buy from this store.	0.73	0.92	0.69
	I believe that I have made the right choice.	0.83		
	I am satisfied with how the staff is treated (greetings, courtesy, accountability, etc.).	0.70		
	I am satisfied with the way of service and speed.	0.85		
	In general, I am happy with my decision to visit and buy from this store.	0.69		
Image Differentiation	I have a good idea about this store.	0.84	0.94	0.52
	This store represents a high-performance fashion vendor.	0.83		
	The profile of this store is close to my ideal store.	0.86		
	This store represents good customer service.	0.82		
	This store offers high-quality items.	0.78		
	This store has well-informed and qualified merchants.	0.75		

Table 3. Skewness and kurtosis and Shapiro-Wilk test to assess the normality of the main variables.

Variable	Shapiro-Wilk Sig.	Skewness	Kurtosis
Image differentiation	0/001>	-1.26	2.94
Employee differentiation	0/001>	-1.28	3.13
Customer satisfaction	0.011	-0.928	0.621
Service differentiation	0.001>	-0.903	1.048
Product differentiation	0.001>	-1.146	0.985
Channel differentiation	0.062	-0.107	-0.754
Fashion performance	0.016	-0.388	-0.851

Table 4. Pearson correlation matrix

	1	2	3	4	5	6	7
1 Image differentiation	-						
2 Employee differentiation	0.62**	-					
3 Customer satisfaction	0.53**	0.66**	-				
4 Service differentiation	0.02	0.04	0.36**	-			
5 Product differentiation	0.04	0.24**	0.31**	0.29**	-		
6 Channel differentiation	0.14	0.05	0.11	0.04	0.23*	-	
7 Fashion performance	0.30**	0.48**	0.57**	0.62**	0.36**	0.17	-

Note: \*  $p < 0.05$  and \*\*  $p < 0.01$

The results of Pearson correlation test (table 4-11) showed that the performance of fashion companies has a significant relationship with all other variables, with the exception of distribution channel differentiation, ( $P < 0.05$ ). The analysis of strength or correlation intensity indicates that the performance of fashion companies has the strongest correlation with service differentiation ( $r = 0.62$ ), customer satisfaction ( $r = 0.57$ ), and employee differentiation ( $r = 0.48$ ). There is a positive relationship between the performance of fashion companies and all other variables.

Investigation of the relationship shows that customer satisfaction has a significant correlation with all variables of the model, with the exception of distribution channel differentiation ( $P < 0.05$ ). There is a positive relationship between customer satisfaction and all variables in table 4-11. Comparison of the intensity of correlations shows that customer satisfaction has the strongest relationship with employee differentiation ( $r = 0.66$ ) and the fashion

company performance ( $r = 0.57$ ). The intensity of customer satisfaction correlation with product differentiation, image differentiation, and service differentiation is 0.31, 0.53, and 0.36 respectively.

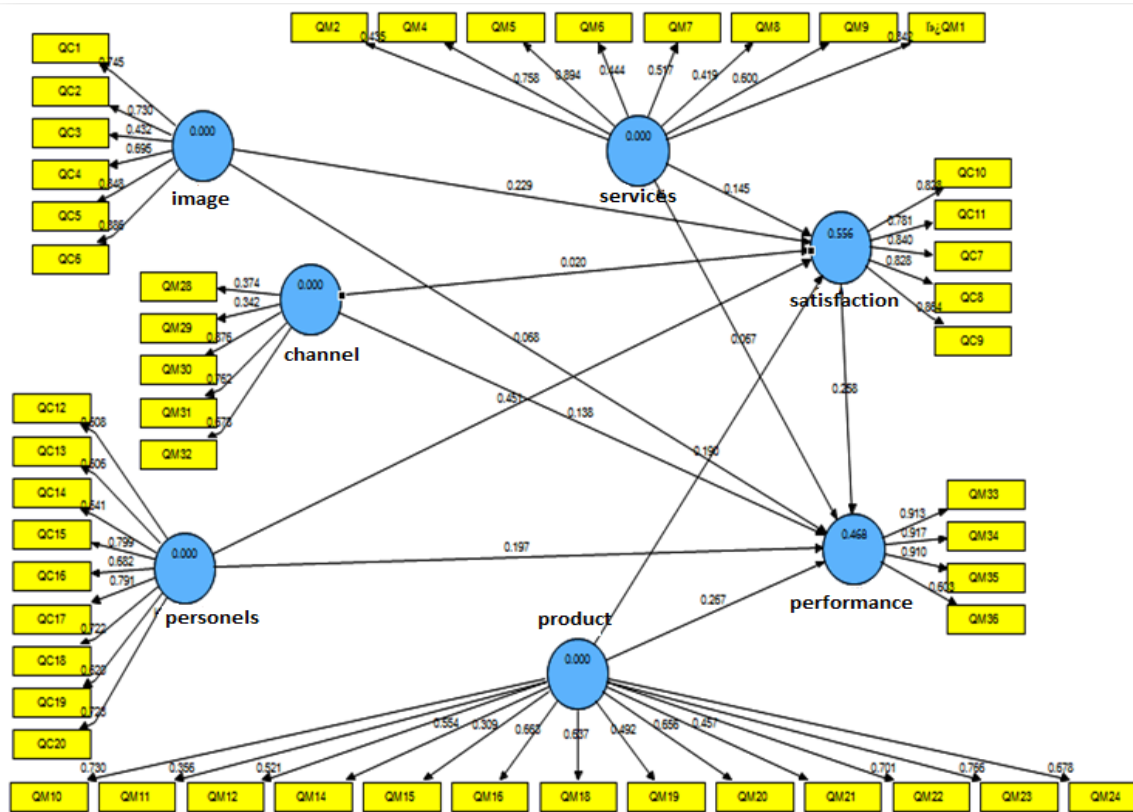


Figure 2. The result of SEM analysis of the model with Beta coefficients

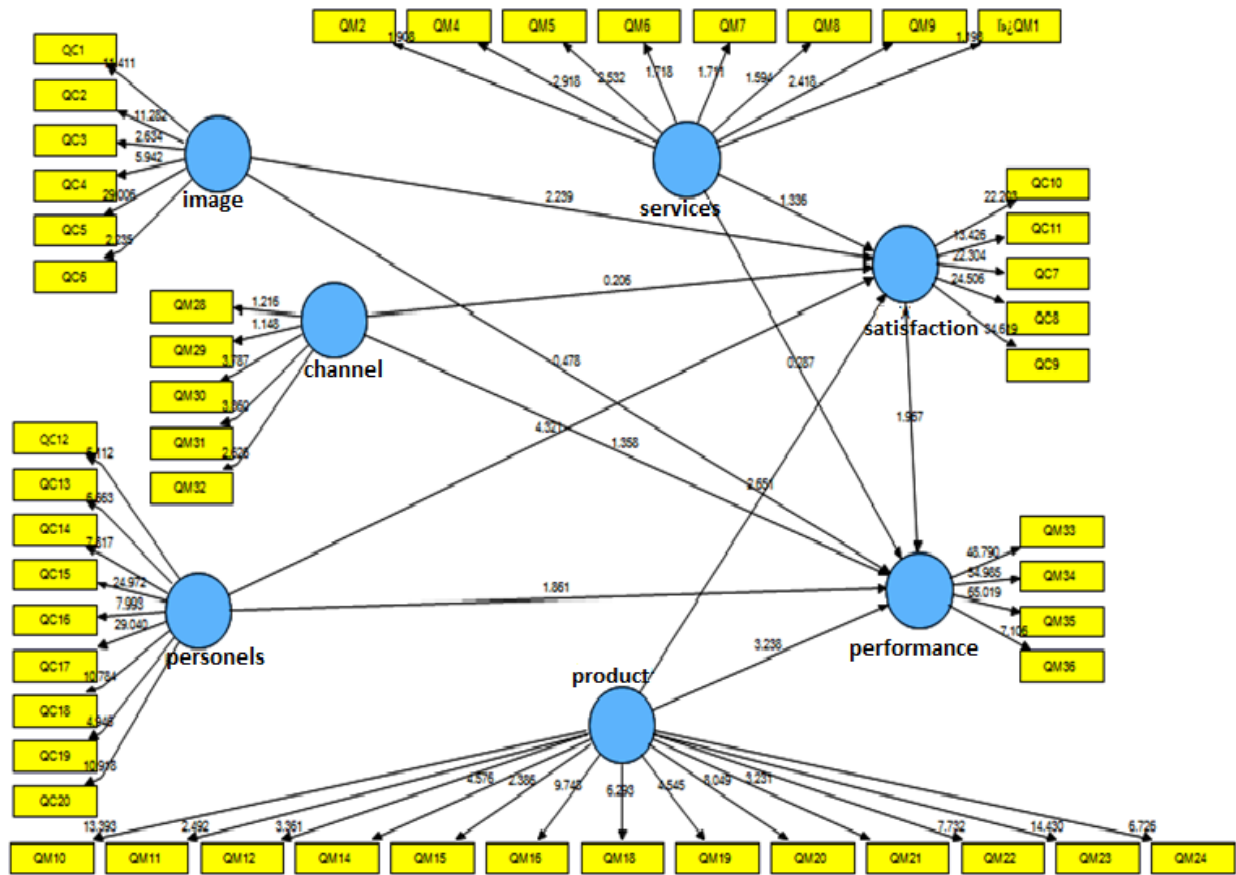


Figure 3. The result of SEM analysis of the model with t value

The results obtained from testing the structural equation model show that all the relationships of the final model are statistically significant at the 99% confidence level ( $P < 0.01$ ). According to the results, product differentiation is effective on customer satisfaction and for there is a positive relationship whose intensity of impact is equal to 0.227.

The results showed that employee differentiation at the 99% confidence level was effective on customer satisfaction ( $P < 0.01$ ), there is a positive relationship between employee differentiation and customer satisfaction whose impact intensity is equal to 0.448. According to the results of the model, image differentiation at 99% confidence level is effective on customer satisfaction ( $P < 0.01$ ), there is a positive relationship between image differentiation and customer satisfaction whose impact intensity is equal to 0.246.

The results showed that the product differentiation was effective on the fashion company performance at 99% confidence level ( $P < 0.01$ ). The findings show that customer satisfaction is effective on the fashion company performance at 99% confidence level ( $P < 0.01$ ). There is a positive relationship between customer satisfaction and fashion company performance whose impact intensity is equal to 0.453.

According to the results, the coefficient of determination for the dependent variable (fashion company performance) in the initial model is equal to 0.469, and in the modified model is equal to 0.416. The coefficient of determination of the customer satisfaction variable in the initial model is equal to 0.556, and in the modified model is equal to 0.532. Comparison of the coefficient of determination of the two models shows that the dependent variables have got higher coefficient in the initial model, however, considering that the difference in the coefficient of determination in the two models is not high on the one hand, and the two independent variables and their effects on the dependent variable is eliminated in the modified model on the other hand, it can be said that the coefficient of determination of two models shows an acceptable and appropriate value, and in both



models independent variables can determine the variables of dependent variables to an acceptable level. The value of the  $Q^2$  index for the variable of the fashion company performance in the initial model is equal to 0.004, and in the modified model is equal to 0.149, which shows that the structural model in the modified state has a better fit than the original model.

The value of the GOF index obtained for the initial model is equal to 0.481, and in the modified model is equal to 0.523, which indicates that the modified model has a better fit than the original model.

The results of the regression test showed that the role of customer satisfaction mediation in the relationship between product differentiation and the fashion company performance is statistically confirmed ( $P < 0.05$ ). Investigating the significant levels shows that all model relations are significant ( $P < 0.05$ ). This indicates that the independent variable affects the dependent variable and the intermediary separately (first and second steps) and in the third stage, along with the mediator variable or customer satisfaction, has a significant effect on the fashion company performance, which is indicated by the acceptance of mediation is the customer satisfaction. Considering the significance of the effect of product differentiation on the performance of fashion, the type of mediation of customer satisfaction is of minor mediation type.

Table 5. testing the model and investigating the questioning and research relationships

Relationships	Impact factor	t value	P value	Results
Product differentiation ----> customer satisfaction	0.318	2.65	<0.01	Accepted
Service differentiation ----> customer satisfaction	0.148	1.34	>0.05	Rejected
Employee differentiation ----> customer satisfaction	0.70	4.32	<0.01	Accepted
Channel differentiation ----> customer satisfaction	0.012	0.206	>0.05	Rejected
Image Differentiation ----> customer satisfaction	0.221	2.24	<0.05	Accepted
Product differentiation ----> fashion company performance	0.773	3.24	<0.01	Accepted
Service differentiation ----> fashion company performance	0.118	0.287	>0.05	Rejected
Employee differentiation ----> fashion company performance	0.529	1.86	>0.05	Rejected
Channel differentiation ----> fashion company performance	0.148	1.36	>0.05	Rejected
Image differentiation ----> fashion company performance	0.114	0.478	>0.05	Rejected
Customer satisfaction ----> fashion company performance	0.446	1.97	<0.05	Accepted

The results obtained from the structural equation model test show that a total of 5 relationships out of 11 model relationships are confirmed ( $P < 0.05$ ). The results showed that the effect of product differentiation on customer satisfaction, employee differentiation on customer satisfaction, image differentiation on customer satisfaction, product differentiation on fashion company performance, and the effect of customer satisfaction on fashion company performance are confirmed at 95% confidence level.

### Investigating Customer Satisfaction Mediation

Table 6. Investigating the mediating effect of customer satisfaction on the relationship between the product differentiation and fashion company performance.

Relationships	B value	SD	Beta coefficient	t value	Sig. level
Phase 1 Product differentiation in fashion company performance	0.333	0.111	0.28	2.99	0.004
Phase 2 Product differentiation in customer satisfaction	0.696	0.184	0.352	3.78	$P < 0.001$
Phase 3 Product differentiation in fashion company performance	0.390	0.166	0.199	2.34	0.021
customer satisfaction with fashion company performance	0.747	0.124	0.512	6.01	$P < 0.001$

Table 7. Investigating the mediating effect of customer satisfaction on the relationship between the service differentiation and fashion company performance.

Relationships		b value	SD	Beta coefficient	t value	Sig. level
Phase 1	Service differentiation in fashion company performance	0.687	0.111	0.529	6.18	<0.001
Phase 2	Service differentiation in customer satisfaction	0.428	0.130	0.331	3.30	<0.001
Phase 3	Service differentiation in fashion company performance	0.144	0.142	0.085	1.02	0.312
	Customer satisfaction on fashion company performance	0.852	0.122	0.583	6.99	<0.001

Table 8. Investigating the mediating effect of customer satisfaction on the relationship between employee differentiation and fashion company performance

Relationships		b value	SD	Beta coefficient	t value	Sig. level
Phase 1	Service differentiation in fashion company performance	0.832	0.124	0.559	6.71	<0.001
Phase 2	Service differentiation in customer satisfaction	0.849	0.112	0.588	7.94	<0.001
Phase 3	Service differentiation on fashion company performance	0.338	0.200	0.186	1.69	0.094
	Customer satisfaction with fashion company performance	0.656	0.160	0.450	4.10	<0.001

Table 9. Investigating the mediating effect of customer satisfaction in the relationship between the distribution channel differentiation and fashion company performance

Relationships		b value	SD	Beta coefficient	t value	Sig. level
Phase 1	distribution channel differentiation on fashion company performance	0.176	0.105	0.163	1.67	0.098
Phase 2	distribution channel differentiation on customer satisfaction	0.082	0.088	0.094	0.927	0.356
Phase 3	distribution channel differentiation on fashion company performance	0.227	0.171	0.110	1.33	0.188
	customer satisfaction on fashion company performance	0.819	0.121	0.561	6.76	<0.001

Table 10. Investigating the mediating effect of customer satisfaction in the relationship between image differentiation and fashion company performance

Relationships		b value	SD	Beta coefficient	t value	Sig. level
Phase 1	Image differentiation on fashion company performance	0.410	0.129	0.318	3.19	0.002
Phase 2	Image differentiation and customer satisfaction	0.449	0.133	0.340	3.38	<0.001
Phase 3	Image differentiation on fashion company performance	0.531	0.171	0.280	3.10	0.003

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Customer satisfaction with fashion company performance	0.672	0.177	0.344	3.80	<0.001
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## Discussion and conclusion

The research model was tested using the Partial Least Squares technique. In this model, all the relationships were analyzed simultaneously. The initial model test showed that the results obtained from the structural equation model test show that a total of 5 relationships out of 11 model relationships were confirmed ( $P < 0.05$ ). The results showed that the effect of product differentiation on customer satisfaction, employee differentiation on customer satisfaction, image differentiation on customer satisfaction, product differentiation on fashion company performance, and the effect of customer satisfaction on the fashion company performance are confirmed at 95% confidence level.

The results of customer satisfaction mediating role test showed that the mediating role of customer satisfaction in the relationship between product differentiation and the fashion company performance is statistically confirmed ( $P < 0.05$ ). Considering the significance of the effect of product differentiation on the fashion company performance, the type of mediation of customer satisfaction is of minor mediation type. The results of the regression test showed that the mediating role of customer satisfaction in the relationship between service differentiation and fashion company performance is statistically confirmed ( $P < 0.05$ ). Considering the lack of significance of the effect of service differentiation on the fashion company performance, the type of mediation of customer satisfaction is of complete mediation type. The results of the regression test showed that the mediating role of customer satisfaction in the relationship between employee differentiation and the fashion company performance is statistically confirmed ( $P < 0.05$ ). Considering the lack of the significance of the effect of employee differentiation on the fashion company performance, the type of mediation of customer satisfaction is of complete mediation type. The results of the regression test showed that the mediating role of customer satisfaction in the relationship between the distribution channel differentiation and fashion company performance is statistically rejected. The results of the regression test showed that the mediating role of customer satisfaction in the relationship between image differentiation and fashion company performance is statistically confirmed ( $P < 0.05$ ).

The results showed that employee differentiation has a direct effect on customer satisfaction, which is consistent with the Bokhari's et al. (2014) study. The positive relationship between product differentiation and organizational performance is consistent with the results of Dirisu's et al. (2013) study. Results of Chi et al. regarding the direct effect of customer satisfaction on the company performance is consistent with the results, however, the effect of employee satisfaction on the company performance is due to customer satisfaction. Dirisu et al. showed that product differentiation is directly related to the fashion company performance. Demovits et al. also proved that product differentiation has a direct effect on corporate profits because the vendors increase the price by cutting costs after finding the first of buyers. Product differentiation affects profitability. Li and Huang in their research also proved that the employee differentiation increases customer satisfaction and this customer satisfaction leads to gaining competitive advantage, and finally, competitive advantage can boost profits and growth. Burner et al. in their research concluded that the satisfaction of new customers is influenced by their mental effect from the store, which is in line with the results of this research. Anderson et al. in their research also proved that customer satisfaction leads to the loyalty of customers and thereby enhancing the company's reputation, as well as increasing the company's future profitability of which are an indicator of the direct effect of the fashion company performance on customer satisfaction. The following suggestions are recommended based on research findings:

Customers of these types of stores are demanding goods that are distinct from ordinary stores in the city. If the differentiation is not obvious between the products of the other stores and the mesons, the customers will not have any reason to buy from the mason. This differentiation can be seen in prices, being up-to-date, specific models, or anything else. Creativity in this business will have an extraordinary effect on the success process

(product differentiation). Since the meson is less visible than ordinary stores and does not have non-permanent customers, they should spend more on advertising. The company needs to make a differentiation in advertising for the success in this business.

The results indicate that product differentiation has a great effect on customer satisfaction, therefore, the meson managers should be more focused on distinct their products among other competitors. It is advisable for the meson managers to do their best in training the employees on how to interact with their customers because the appropriate treatment by the employees leads to more customer satisfaction and re-purchasing. Employees should have a good appearance and have a response to customers quickly. With all the efforts made to comply with the principles of sampling, only the available mesons in Tehran have been investigated, and shortages and obstacles have prevented the implementation of research on a wider scale. The inaccuracy of respondents in providing information, despite the information provided on the confidentiality of the responses. The lack of suitable conditions and place for respondents in such a way that they can respond to the questionnaire in a quiet environment, making respondents not focusing adequately in many cases. Distribution of mesons across Tehran and limitation of access to mesons and it is time-consuming. Another research problem was the resource constraint on the subject under study. Other information collecting methods such as interviews should be used in order to enhance the accuracy of measuring relationships.

With regard to the limitations of the present research, the following suggestions for future research seem to be necessary: The sample group of this research is exclusively selected from mesons in Tehran. Considering this fact, data can be collected based on samples with larger samples including other mesons all over the country in order to overcome this defect. In order to increase the accuracy of the measurement of the relationships under study, it is necessary to use other methods of collecting information, including interviews. Given the importance of the differentiation strategy and its effect on the fashion company performance, it is necessary to investigate their effectiveness regarding other variables such as price and quality. Also, the prerequisites and factors affecting the profitability of the mesons should be taken into account more than ever.

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