

Factors influencing consumers coffee shop preferences and their brand attachment toward Starbucks in Bangkok

Introduction

Coffee shop industry is one of the growing industries of the world as coffee is one of the world's favourite beverages. People nowadays spend their time in coffee shops frequently either for work and study or meeting with colleagues or friends. According to Mordorintelligence (2019), the world's coffee market is growing at a compound annual growth rate (CAGR) of 5.5% during the forecast period of 2019-2024. The trend of coffee consumption and the trend of coffee shop industry are the spreading effect throughout almost every part of the world. Coffee shops are always located in big and economic cities. Pitsinee Jitpleecheep and William Hicks (2019) mention that thirty years ago, there were not many choices for coffee drinkers in Thailand. The choices were limited to only Kafee Boran or instant coffee. However, at present, more consumers have developed their coffee preferences to have more various choices, especially freshly brewed. Therefore, the change in consumer behaviour has made it necessary for the coffee business into various preferences. Many coffee shops need to invent more menus in order to answer the needs of their customers. There have been many coffee shop brands that have become pretty famous among coffee drinks or even among people in that country in general. One of the famous brands that has been able to take its place in customers' hearts is Starbucks.

Starbucks is a coffee brand, founded by Jerry Baldwin, Gordon Bowker, and Zev Siegel in 1971. Firstly, Starbucks started from only one coffee shop. However, nowadays, it has had over 31,256 stores all over the world. This leads to the question why it has become so

successful and in comparison with other coffee brands what factors influences consumers' choices whether what coffee brands they like and want to consume. Moreover, the coffee trend in Thailand seems to shift towards 24-hr services, which may be one of the factors that affect consumers' preferences as well. Based on Yu and Fang's (2009), they investigated that income range is the factor that affects the fulfilment of self-actualisation. People with high income are willing to pay for experiences and have higher levels of needs, vice versa. Meanwhile, Thongrawd and Rittboonchai (2018) suggested that personal characteristics and marketing mix(4Ps) factors influence consumers' preferences. As factors investigated in these research, it has made us think that there should be further investigation on these factors, whether they truly impact consumers' behaviour on coffee preferences.

The scope of this research would be the sample group of 400 people, who consume coffee and live in Bangkok. Our research objectives are to study whether what factors are statistically significant that have their influences on consumers' preferences regarding choosing their coffee brands and coffee shops and to understand consumers' behaviour towards coffee preferences.

Hypothesis

1. The frequency of receiving service at Starbucks has a positive correlation to the attachment of the brand
2. Income is negative correlates to the attachment of the brand
3. People who believe that consuming the products related to Starbucks are beneficial to their social images or have ever brought other Starbucks merchandise are more likely to attach to the brand.

Literature Review

Many industries try to generate value added for customers to become the next source of competitive advantage (Yu and Fang, 2009). To understand what customers want and need, many companies do voice of customer surveys. They use Pine and Gilmore's theory which is the progression of economic value to divide into four stages. The first stage is offering commodities to customers. The second stage is making standard goods for customers. For the first two stages, the products will be undifferentiated and irrelevant to the needs of customers. The core of value added is the quality of the products. The third stage is to deliver better services to customers. The last one is the stage of experience which can differentiate the competitive position, relate to customers' needs, and set pricing at premium (Pine and Gilmore, 1999).

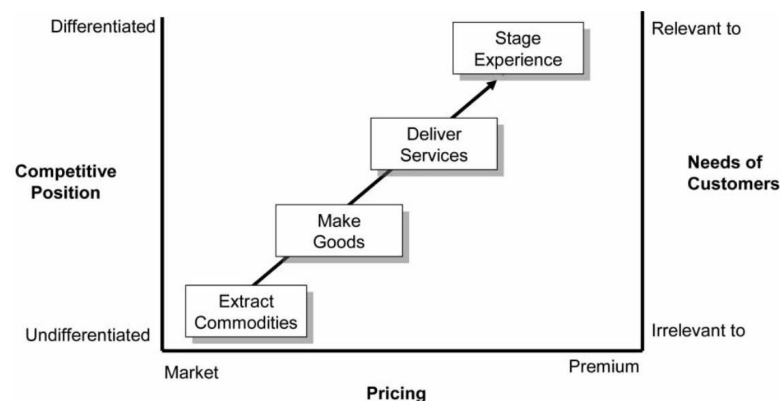
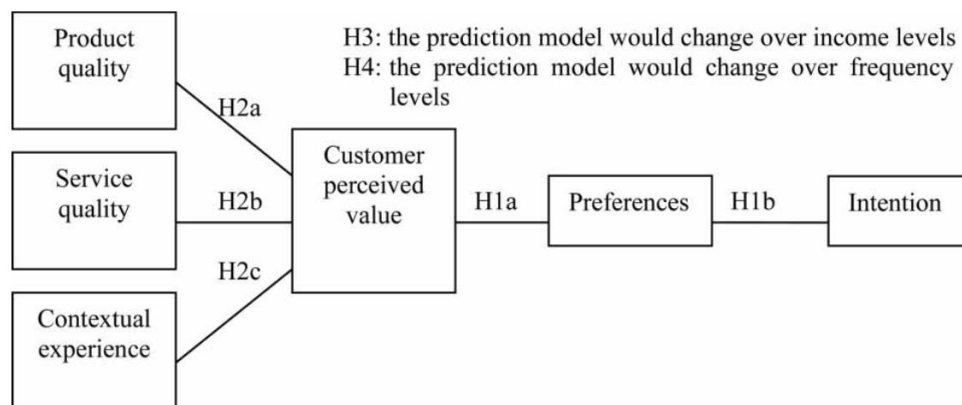


Figure 1. Experience economy: progression of economic value.
Source: Pine and Gilmore (1999, p. 22).

To be the stage of experience, they investigated three determinants of customers' perceived value which are product quality, service satisfaction and memorable experience. Product quality is measured by matching between production specification and customer's expectation. If the customers think that the specification of the product is enough to cover their needs, they will think this product is worthy. Service quality is the degree of the

customer satisfaction that they perceive by serving the service to reach their expectation. Lastly, experiences of customers are from product quality and service satisfaction that customers judge to their perception (Pine and Gilmore, 1999). So, customer's perceived value can be generated the model by using three determinants: product quality, service quality and contextual experience

Then, the positive feeling from the customer's perceived value will become customers' preferences. And positive customers' preferences will become the customer's intention to purchase and remind them to repurchase at the same place (Fishbein and Ajzen, 1975).



H1a : Perceived value would be positively related to customers' preferences

H1b : Preferences would be positively related to customers' intention to consume in the future

H2a : Product quality would be positively related to customers' perceived value

H2b : Service quality would be positively related to customers' perceived value

H2c : Contextual experience would be positively related to customers' perceived value

Moreover, they use Maslow's hierarchy of needs to understand a set of needs which are physiological needs, security needs, belongingness needs, esteem needs and self-actualisation needs. In this case, product quality is used for fulfilling physiological needs and security needs. Service quality is used for fulfilling belongingness and love needs and esteem needs. The customer's experience is used to fulfill self-actualisation which is the highest ranking on the Maslow's hierarchy of needs model.

In Yu and Fang's (2009) paper, they set income distribution into two groups because of the assumption that customers with high income are willing to pay the price for experience to satisfy the higher level of needs. Firstly, customers who have income less than US\$625 per month are a low income group. Secondly, customers who have income higher than US\$625 per month are a high income group.

From Thongrawd and Rittboonchai's (2018) research of the personal characteristics and marketing mix based factors on the coffee consumers' behavior in Bangkok, they reported which factors that consumers recognize most based on the marketing 4Ps, the most important reason that consumers come to use coffee shop's service in the sample group, they also claimed to found that personal education characteristics affected the behavior of using the services at the coffee shops of consumers in Metropolitan Bangkok.

However, they were also unable to show any conclusions that show any information further analysis aside from summarized data and raw percentages from the questionnaire respondent since it was a research paper that based on marketing mix factors affecting consumers only and is what their methodology for research is solely relied on, except sample size estimation. In addition, as the writers stated themselves, the paper was limited by the

time and budget, some factors of individual characteristic of consumers were not included in the variables such as consumers taste of coffee.

In another paper, Suyanti Kasimin (2017), by using the decorative analysis method for the visitors' characteristic and doubled regression model on the number of visitors and profit in Banda Aceh, Indonesia, stated that under the performances with consumers who are generally young, private company's employees and students with high education background, good interior and width of the store is significantly and positively impact the profit, while on the other hand factors of price in this analysis showed to negatively impact the profit of coffee store, which we want to investigate further in the case of Bangkok.

Methodology

1. Data collection

The research will be conducted in multiple districts of Bangkok city, Thailand, as geographical clustering, concentrating on the areas with high numbers of Starbucks stores located in. We have collected the information from survey questionnaires with approximately 400 responses of the coffee shop's consumers to form the cross-sectional data. Both collected in person and online via google form.

The questionnaire will be divided into 3 category sections, including: the respondents' individual characteristics, behaviour and preferences. First, the individual characteristics section will contain the question about consumer's personal demographic information, such as gender, age and income. Next, the behavior section will question the respondents' awareness about coffee stores, especially toward Starbucks brand, and their consumption

frequency. Finally, we will look into the consumers perception and preferences between each store brand and how much they royal toward Starbucks brand and products.

2. Sample data

The population's sample of the questionnaire will be the coffee store's consumers, aged between 15 to 60 years old who live in districts of Bangkok city. Further divided according to their monthly income and their historical purchase, whether or not they have ever brought behavrages from the Starbucks brand in the past.

3. Economic model

The model used will be multiple linear regression models and Logit & Probit models with function: $Y = P(y=1) \in [0, 1]$ on top of the linear regression to make the outcome be between 0 and 1. The dependent variable will represent the attachment toward the Starbucks brand, and probability of whether or not the consumers attract toward the Starbucks brand of coffee shop when they are making the purchase decision.

$$Y = \beta_0 + \beta_1 sbcus + \beta_2 stbest + \beta_3 stfav + \beta_4 freqsb + \beta_5 freqoth + \beta_6 amnt + \beta_7 time + \beta_8 age + \beta_9 inc + \beta_{10} educ + \beta_{11} job + \beta_{12} gender + \beta_{13} price + \beta_{14} taste + \beta_{15} variety + \beta_{16} service + \beta_{17} interior + \beta_{18} space + \beta_{19} promo + \beta_{20} other + \beta_{21} memb + \beta_{22} social + \beta_{23} merch + \varepsilon$$

4. Variable definition

sbcus: if respondent have ever brought a Starbucks drink (yes = 1, no = 0)

stbest: if respondent believe Starbucks is best coffee shop brand (yes = 1, no = 0)

stfav: if respondent believe Starbucks is their favorite coffee shop brand (yes = 1, no = 0)

freqst: frequency that respondent buy coffee per month from star buck

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amnt: total coffee respondent consume per months

time: how much time respondent spent inside the store per service trip

age: age of respondent (0 = 15-19 years old, 1 = 20-24 years old, 2 = 25- 29 years old, 3 = 30-34 years old, 4 = 35-40 years old, 5 = 41+)

inc: income level of respondent

educ: level of education of respondent (0 = below bachelor degree, 1 = bachelor degree, 2 = master degree, 3 = doctorate and above)

job: job of respondent (0 = Students, 1 = working for government, 2 = working for private company, 3 = private business)

gender: gender of respondent (female = 1, male = 0)

price: price of the coffee (1-5 influence level in ascending order)

taste: taste of the coffee (1-5 influence level in ascending order)

variety: variety of the coffee (1-5 influence level in ascending order)

interior: interior design of the store (1-5 influence level in ascending order)

space: the size of the store (1-5 influence level in ascending order)

promotion: promotion that the brand offer (1-5 influence level in ascending order)

other: if the respondents willing to purchase other coffee brand if provide options (yes = 1, no = 0)

memb: if respondents own the Starbucks membership card (yes = 1, no = 0)

social: if respondents believe that by consuming Starbucks products, their public image will be better perceived. (yes = 1, no = 0)

merch: if respondent have ever brought other products such as cup of the Starbucks brands (yes = 1, no = 0)

5. Model specification

Model 1

The first model will consist of the independent variables that are related to the frequency of receiving service from the coffee stores and the quantity of the coffee consumption per month, including the individual characteristic data: age, income, level of education, job and gender.

$$Y = \beta_0 + \beta_1 sbcus + \beta_2 stbest + \beta_3 stfav + \beta_4 freqsb + \beta_5 freqoth + \beta_6 amnt + \beta_7 time + \beta_8 age + \beta_9 inc + \beta_{10} educ + \beta_{11} job + \beta_{12} gender + \varepsilon$$

Model 2

The second model will be including all variables from the model 1 with the addition of the determinants regarding the overall preference of the respondents: price, taste, variety, interior, space and promotion.

$$Y = \beta_0 + \beta_1 sbcus + \beta_2 stbest + \beta_3 stfav + \beta_4 freqsb + \beta_5 freqoth + \beta_6 amnt + \beta_7 time + \beta_8 age + \beta_9 inc + \beta_{10} educ + \beta_{11} job + \beta_{12} gender + \beta_{13} price + \beta_{14} taste + \beta_{15} variety + \beta_{16} service + \beta_{17} interior + \beta_{18} space + \beta_{19} promo + \varepsilon$$

Model 3

The last model will consist of all variables from model 1 and 2, with the addition of other, memb, social and merch.

$$Y = \beta_0 + \beta_1 sbcus + \beta_2 stbest + \beta_3 stfav + \beta_4 freqsb + \beta_5 freqoth + \beta_6 amnt + \beta_7 time + \beta_8 age + \beta_9 inc + \beta_{10} educ + \beta_{11} job + \beta_{12} gender + \beta_{13} price + \beta_{14} taste + \beta_{15} variety + \beta_{16} service + \beta_{17} interior + \beta_{18} space + \beta_{19} promo + \beta_{20} other + \beta_{21} memb + \beta_{22} social + \beta_{23} merch + \varepsilon$$
