



A Comparative Analysis between Chain Coffee Shops and Independent Coffee Shops from Consumer Satisfaction Perspective

Zhuoying Huang^{1,*}

¹Shantou University, College of Liberal Arts, Shantou, China, 515063

*Corresponding author. Email: joviehuang66@163.com

Abstract. Although China has been embedded with tea culture, coffee culture imported from western countries has appealed to the Chinese gradually, both chain coffee shops and independent coffee shops have become growing markets in China. However, this paper aims to explore some differences and similarities between chain coffee shops and independent coffee shops from the aspect of consumer satisfaction. This paper mainly summarizes the research areas of coffee, selects literature on attributes to consumer satisfaction with comparative analysis. The findings showed that chain coffee shops pay more attention to tangible quality instead of social interaction, while independent coffee shops emphasized more on interaction. Notwithstanding, both of them considered coffee quality significantly, they were also customer-oriented and brand-impressive.

Keywords: Coffee chain shops, Independent coffee shops, Perceived value, Experiential quality

1 Introduction

Although China is a non-traditional coffee drinker who prefers tea as their widely used beverage on account of Chinese culture, China's coffee consumption has increased constantly, in the coffee year 2021-2022, the Chinese population has consumed around 4.2 million 60-kilogram bags of coffee [1]. In addition, J. Ferreira and C. Ferreira [2] founded the coffee shop landscape in China also has revealed the development of three waves in coffee industry: the first wave was from 1970s to 1990s, the emergence of instant coffee attracted Chinese for the sake of its utility of improving efficiency with lower prices at workplace; the second wave of coffee happened approximately from 1998 to 2005, international coffee shops chain such as Starbucks and Costa obtained a high popularity in China, these international coffee shops built a symbol of western lifestyle to satisfied Chinese customers' needs; while in the third wave of coffee since 2010, the rise of independent coffee houses has demonstrated that consumers are paying attention to higher quality of coffee beans as well as a range of brewing coffee methods.

Starbucks as one of the representatives of the coffee shop chains has contributed to the development of the coffee industry significantly in China, many researchers have

discussed the success of Starbucks in different respects. According to the *Full Year Fiscal 2021 Results* released by Starbucks, the consolidated net revenues of \$8.1 billion grew 31% compared to the prior year, with an increase of 17% in China comparable store sales [4]. Furthermore, Starbucks aimed to have 6000 stores by 2022, which indicated its ambition to expand into lower-tier cities [5].

In this paper, on behalf of chain coffee shops, Starbucks is analyzed to compare with independent coffee shops, the purpose is to find out the differences and similarities of chain coffee shops and independent coffee shops in the views of customer satisfaction, implications of chain coffee shops also will be given, which will contribute to coffee managers and operators reasonably judging their consumers' demands and adjust their management and strategies.

2 Literature Review

2.1 Literature on coffee in different perspectives

As coffee is one of the most popular beverages in the world, it has been studied from different perspectives. In the aspects of coffee culture, much research relates to the third space, western lifestyle, identity, status, etc [3,7]. For instance, existing literature extensively described coffee shops as the third place, where people enjoy their routine social interactions, mediating between public and private life [6]. When it comes to the psychological perspective, shreds of evidence that personality traits are relevant to coffee shops has been constantly confirmed by many researchers. Scholars have founded that the more conscientious or extroverted coffee consumers were, the more willingness to pay for premium prices they have, as they are more people-oriented [10].

Last but not the least, this paper will focus on the aspect of consumer satisfaction, under the background of experiential marketing which is closely related to customer-focused activity, many studies have been devoted to confirming the relationships between quality service and value in the coffee industry, while value with complicated identification might influence consumer satisfaction significantly, then affect consumer loyalty, to some extent [8, 12-13]. However, to be more specific, researchers have divided quality into service quality and experiential quality to explore these relationships.

2.2 Comparative analysis between coffee shops chain and independent coffee shops

To analyze the similarities and differences between these two types of coffee shops more precisely, it would be better to explain the following concepts in detail.

Service quality has triggered numerous interests and debates in the academic world, as it can be defined differently based on different measurement models, yet there is no overall identification of service quality, compared with experiential quality, service quality refers to the “difference between customers' expectations of service and service perceived” [12], it emphasizes on providing service to consumers in views of the company, while experiential quality focus more on the judgment of service quality perceived or obtained by consumers. As their measurement models, Parasuraman et al [11]

developed the SERVQUAL scale for service quality, which includes 5 dimensions: reliability, responsiveness, assurances, empathy, assurances and tangibles. Although SERVQUAL is one of the most popular scales in services marketing, the DINESERV model (same dimensions as SERVQUAL's) underlines more on the catering industry [13]. As for experiential quality, it could be measured by multi-dimensional and hierarchical model [12], attributes mainly consist of interaction quality, physical environment quality, outcome quality and affective quality.

Value has played an important role in marketing, which can enhance customer satisfaction and loyalty. While value can be defined variously in different contexts, on the one hand, consumer value can be characterized into episode values and relationship values in the service process, episode values refer to economic values and it underlines value is created in a one-off trade transaction, while relationship value refers to a personal connection with employees, reducing transaction costs via interaction [9], it should beyond the one-time-off economic transaction, both of them consider consumer involvement and engagement critically. On the other hand, perceived value relates to the consumer's overall assessment of the utility of a product or service based on acquisition and giving, it can be identified as symbolic value and functional value, which are based on subjective, intangible assessment and objective, tangible assessment. Though researchers tend to use the term "perceived value" more than "consumer value", they both are based on what consumers received with what they provided [14].

2.2.1. Coffee shops chain-focused on Starbucks coffee shops.

In terms of service quality, Ge, Yuan, Wang, et al [13] used the DINESERY model to test the structural relationship among service quality, perceived value and customer satisfaction. The researchers collected data from consumers at the Shanghai Starbucks Reserve coffee shop in China. After analyzing 386 samples with SPSS 24.0 and Smart 24.0, they found that the higher factors of quality reliability, assurance, tangibles in measuring service quality within the DINESERY model, the more functional value in customer's perceived value can be improved, to be brief, these three factors can meet tangible needs of customers. While another two factors responsiveness and empathy have little positive influence on functional value in perceived value, as consumers probably care more about the quality of the coffee itself such as its taste and flavor, instead of an experience of interaction with employees in coffee shops. Therefore, it seemed that subjects in this research mainly evaluate tangible quality with their perceived value, particularly the prices, rather than the empathetic services they received.

Despite much-existing literature has evidenced that service quality positively affects perceived value and customer satisfaction, some scholars argued that experiential quality should be considered. Wu [12] analyzed experiential quality with a hierarchical model consisting of 4 primary dimensions: affective quality, physical environment quality, outcome quality and interaction quality, data were from one representative Starbucks in Taiwan, the findings confirmed the rank of physical environment quality including food and beverage was higher than outcome quality and interaction quality. It explained that not all customers choose to interact in coffee chains, sometimes they pursue more efficiency, valence, etc. Furthermore, due to data collections associated

with Asian culture, it also demonstrated that in views of collective people, their expectation of obtaining care and empathy through interactions with baristas was very low, compared with western individualistic customers.

Furthermore, experiential marketing (EM) as a critical consideration in marketing, many companies provide tangible and unique experiences to encourage consumers to consume. Starbucks has become the voice of EM today, whereas, it can be found that Starbucks' EM can not directly influence brand loyalty, while only brand image can adjust EM to affect brand loyalty indirectly [15]. Therefore, not only does consumer satisfaction in consumer perceived value's perspective influence brand loyalty, but also brand image can positively impact brand loyalty directly, while EM lacks a direct correlation to brand loyalty.

2.2.2 Independent coffee shops.

It seems that independent coffee shops already occupied market share in market competition, in decoration styles, creative and special integrated coffee drinks, these independent coffee shops provide services to consumers related to lifestyle, which satisfy successfully consumers' unique experiential needs [9, 16], in addition, shops owners or barista usually command of coffee knowledge, focusing on coffee beans assessed with different grades [17].

Some scholars studied how many attributes to service quality in different types of service quality, Chen and Hu [18] chose a more specific multi-attribute scale based on the SERVQUAL scale, analyzing data from the chain and independent coffee outlets in Melbourne in five dimensions: coffee quality, service, food and beverage (F&B), atmosphere and extra benefits. Ultimately, it was carried out that coffee quality and F&B were the core attributes of service quality, reacting on in both functional value and symbolic value. Thus, these two attributes were determinants to enhance consumer perceived value.

Different from coffee chain stores that provide standard service, independent coffee shops offer more extra and service to customers. Scholars [9] focused on employees' extra effort, called "organizational citizenship behaviors toward the customer (OCB-C) by providing extra attention and spontaneous exceptional service during a service encounter". 93 customers in independent coffee shops in Guangzhou, China participated in the research, through quality interviews and quantitative surveys, researchers found that OCB-C not only improves service quality but also enhances perceived value from customer perspective, as a result, the deeper perceived value consumers form, the more consumers satisfaction can be improved. Moreover, customers usually care less about episode value. Whereas, they concern more about relationship value, looking forward to obtaining extra attention and services by interacting with baristas, as baristas who know comprehensive and extensive knowledge of coffee and form their unique views and lifestyles, have the ability to convey a stronger meaning of coffee with their customers or give some advice through communication [17]. The relationship between baristas and customers even can be changed to friendships on account of frequent interactions in depth.

Additionally, some scholars [8] noted that a stronger involvement influences brand loyalty through increasing aspects of personality traits, consumer satisfaction, customer

brand identification, the design of coffee shop's brand personalities can attract target consumer segments to increase involvement, they implicated that independent coffee shops which provide more unique and original brand experiences to customers, could attract customers repurchase in more times, which increase competitive differentiation and strengthen customer loyalty.

3 Conclusion

There are differences between chain coffee shops and independent coffee shops. Firstly, in terms of service quality and experience quality, chain coffee shops pay more attention to the quality of coffee than interaction compared with independent coffee shops such as coffee taste and flavor. While their interaction is not as strong as that of independent coffee, because the customers of chain coffee shops are not necessarily with the purpose of social interaction. Secondly, although the EM of chain coffee shops performs well, it cannot directly increase brand loyalty through EM, however, brand image can mediate as a medium.

As for independent coffee shops, it emphasizes not only a good cup of coffee, but social interaction, especially the extra value provided by the barista, independent coffee shops can meet the needs of customers immediately through communication because of this interaction, such as instant bean exchange, which is also beneficial in management. Furthermore, the brand characteristics of independent coffee shops can satisfy the customer needs of experience, improving customer loyalty by providing a variety of unique experiences.

As for their similarities, both independent coffee shops and chain coffee shops provide a third space for socializing. In terms of service quality, there is no denying the importance of tangible quality, and they are both customer-oriented and brand-impressive, also they tend to focus on telling the brand story.

There are also areas for improvement in this paper. First of all, the research on independent coffee in China is still relatively small, and the models used are still controversial. In the search for independent coffee, many foreign independent coffee measurements and conclusions are drawn, leading to bias by the influence of the cultural region. Although there is much literature on chain coffee in China, most of the research areas are Taiwan, as the development speeds of coffee in the two regions were also different, the comparative analysis of this article will also be influenced. In the future, more researches on coffee shops in mainland China should be considered, and the factors of quality of experience measured by independent coffee shops based on service models should be explored.

No matter in terms of quality, interaction and experience, specialty coffee shops may gradually catch up with chain coffee shops like Starbucks, because specialty coffee shops also meet the psychology of young people's curiosity and punch-in experience. The strategic development of the coffee shop is of great significance, managers should think about whether to enhance the interactivity of chain coffee shops if they want to expand the market for young people and sink into second-and third-tier cities. This

paper analyzes the differences and similarities between chain coffee shops and independent coffee shops, which can help managers better clarify the position of different types of coffee shops, and provide more focused services to meet the needs of target customers, which benefits to increase customer perceived value, consumer satisfaction and customer loyalty.

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