

Consumer decision making of cafés



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In this chapter, the reasons and factors which affect the consumers' decision while choosing the café will be further discussed. On the other hand, the previous findings of the scholars in related fields such as the restaurant industry are taken as the foundation to develop the variables and conceptual framework for the research. Customer satisfaction, perceived value and customer loyalty will be measured in the research as these variables are believed to affect consumers' choice of cafés that they patronise. There are several factors that affect the customers' satisfaction, perceived value and loyalty which include affordability, service quality, food offering, physical environment, nostalgia, brand identification, word of mouth, prestige and connectivity. All of the factors will be elaborated in this chapter. Besides, many previous researchers have studied about the restaurant industry about the customer satisfaction, brand loyalty and to name but a few. However, the number of research about café is lesser compared to restaurant. Thus, the current study is about the café selection among the consumers and the study will be more different compared to restaurant as the concept between restaurant and café is yet different.

2. 2 Background

2. 3 Literature Review

In this section, the previous review and literature of three dependent variables which are customer satisfaction, perceived value and customer loyalty will be reviewed. On the other hand, works from related journals, scholars and researchers will also be reviewed in this section. There are several independent variables that may affect the satisfaction, perceived

value and loyalty of the café's customers which including affordability, service quality, food offering, physical environment, nostalgia, brand identification, prestige and connectivity.

Affordability shows how much do the customer afford to pay for the food and beverage offered by the café. Service quality indicates how well the café can differentiate themselves among the competitor by satisfying their customers especially in the competitive industry and at the same time it shows the expectation of the customers toward the performance of the café. Food offering shows how good the quality of the food and beverages are offered by the café. Meanwhile, freshness and choices reflect how café add value to their business. Physical environment describe the atmosphere that customers can found at the café. Besides, it included decoration and layout of a café. Nostalgia describes the café created an experience or atmosphere that allowed customers to remind about the past or feel nostalgic.

Brand identification refers to customers who identify with and associate themselves with the café brand which at the same time reflect their self-identities. Word of mouth describes how likely the customers share about the café with others. Prestige refers to prestigious that customers felt after consuming at the café. Connectivity refers to the availability of Wi-Fi in the café and the connection strength. All of the variables that indirectly affect the customer satisfaction, perceived value and customer loyalty will be investigated and measured in the following chapter of the study.

2. 3. 1 Customer Satisfaction

Atila and Mike (1998) stated that determining customer satisfaction is fundamental to effective delivery of services. Besides, companies that able to gain customer satisfaction may earn an advantage over their competitors by differentiate their product and service which at the same time may lead to high customer retention and earn positive word of mouth.(Atila & Mike, 1998) Furthermore, customer that satisfied with the service provided will probably share with others about their good experiences. (Rahim, Osman and Ramayah, 2010)

Rahim, Osman and Ramayah (2010) defined customer satisfaction is the difference between expectation and performance. If the performance falls below the expectation, the customer is dissatisfied. (Philip and Gary, 2010) However, if the performance exceed the expectation, the customer is highly satisfied and even be delighted. (Philip and Gary, 2010) According to Rahim, Osman and Ramayah (2010), they found out that service quality is critical and have positive meaning with customer satisfaction. In order to gain customer satisfaction, the service provided by the café should be considered.

Research explained that managers and owners of the café should focus on three major elements which are service quality (responsiveness), price and also the food quality (reliability). (Andeleeb and Carolyn, 2006) In addition, Andeleeb and Carolyn (2006) found out that responsiveness or so called service quality is the most important to the customers. Besides, responsiveness which included whether the servers or waitresses are prompt, courteous, knowledgeable, neat in appearance, helpful and

understanding what the customer needs may affect the satisfaction of the customers. (Andaleeb and Carolyn, 2006)

Next, price expectation of the customers is also important in affecting customer satisfaction. (Andaleeb and Carolyn, 2006) For examples, price of the food and beverage sold that is not equal to the expectation of customers will directly lower down the satisfaction. (Andaleeb and Carolyn, 2006)

According to John and Shiang-Lih (2001), satisfied customers will spread positive word of mouth about the company which increases the reliability of the company and lower down the perceived risk. Besides, John and Shiang-Lih also stated that customer satisfaction may lead to customer loyalty. At the same time, the study also showed that customer satisfaction raise one unit from 6 to 7 can caused customer loyalty increased by over 100%. (John and Shiang-Lih, 2001) This showed that when satisfaction attained a particular level, the loyalty of the customer will increase dramatically.

Besides, customer satisfaction can boost customer loyalty which at the same time saves the managerial cost and marketing effort. (John and Shiang-Lih, 2001) Customer satisfaction stimulated consumer spending. (Claes, Roland and Marnik, 2010) The willingness for next purchases is directly linked to the satisfaction of the previous consumption. (Claes, Roland and Marnik, 2010) Therefore, customer satisfaction may increase the willingness of the individual customers to spend more in purchasing the company product.

2. 3. 2 Perceived Value

Perceived Value is referred as “ has its roots in equity theory”. (Oliver and DeSarbo, 1988) The concept of equity is defined as customers’ evaluation of

“ what is fair, right, or deserved” for the perceived cost of product or service offered. (Bolton and Lemon, 1999) According to Oliver and Desarbo (1988), customers will feel equitable when their ratio of outcome to input is equal to the ratio of outcome to input offered by company. At the same time, customers make comparison with competitors’ offering to measure the ratio of outcome to inputs. (Zhilin and Robin, 2004) Moreover, perceive value is hard to measure because it needed to “ understand how consumer value product and service”. (Holbrook, 1999; Sweeney and Soutar, 2001)

In addition, customer value is critical in all marketing activity as high customer value reflect the “ primary motivation” for customer patronage. (Holbrook, 1994) Zhilin and Robin (2004) found out that offering high product or service value is able to generate customer loyalty through improving customer satisfaction. (Zhilin and Robin, 2004) In the discussion, Zhilin and Robin suggested that customer perceived value can be improved through improving company representatives’ skills such as problem solving skill, understand well about customers’ need, handle problems with friendly manner and execute transactions accurately. (Zhilin and Robin, 2004)

Meanwhile, customer may perceive the value in term of traditional perspective which is more on service quality attribute “ provided based on functional value”. (Po-Tsang and Hsin-Hui, 2010) At the same time, customers also emphasize in perceived symbolic value which reflecting “ social, emotional, aesthetic and reputational aspects of service quality attribute during coffee consumption”. (Po-Tsang and Hsin-Hui, 2010)

According to Po-Tsang and Hsin-Hui (2010), customer’s perceived value can be influence by service quality provided as their result and finding showed

that coffee quality, food and beverage are important attributes for service quality that can support the traditional (functional) and symbolic value perceptions. The finding also showed that service dimension can affect customer's functional value towards coffee outlets and extra benefit contributed may differentiate the coffee outlets with other competitors that add value to customers' symbolic value. (Po-Tsang and Hsin Hui, 2010)

2. 3. 3 Customer Loyalty

In generally, customer loyalty is defined as “ something that consumer's exhibit to brands, services, stores, product categories and activities.”(Mark, Grahame, Kathy, 2003) Besides, Jacoby and Kyner (1973) describe customer loyalty as “ the biased, behavior response, expressed over time, by some decision making unit, with respect to one or more alternative brands.”

Loyalty can be exhibited through two ways which are through behavior of the customers and through attitude such as repeat and frequent patronage to a particular shop. (Jennifer and Jillian, 1999)

Customer loyalty may increase company's profitability. (John and Shaing-Lih, 2001) According to John and Shiang-Lih (2001), positive correlation occurred between loyal customers and profitability. The main reason is because loyal customer will make repeat purchases. (John and Shiang-Lih, 2001)

Meanwhile, customer loyalty is a “ long term attitude and a long term behavioral pattern” which shaped by long term and many experiences over the time. (Terblanche and Boshoff, 2006) Customer loyalty can be stimulated by three drivers and the three drivers are “ calculative commitment, affective commitment and overall customer satisfaction.” (Gustafsson, 2005)

Calculative commitment is defined as the “rational and economic decision making” which customer are more care about the cost and benefit in their decision making process. (Robert, Graham and Mike, 2009) Besides, affective commitment is a “warner and emotional factors” which customers are emphasize in trust and commitment when they made decision and customer satisfaction is described as a function of the relationship between customer expectation and experience. (Robert, Graham and Mike, 2009)

Brand image can has impact on or foster customer loyalty. (An-Tien and Li, 2007) In addition, if the brand image is favorable, it is more likely for customer to make the next purchases and at the same time, customer loyalty is being formed and enhanced. (An-Tien and Li, 2007)

2. 3. 4 Service Quality

Service is defined as “the difference degrees of service arose” in the process of service delivery between service providers and customers. (Parasuraman, Zeithaml and Berry, 1988) Besides, quality is defined as the evaluation of service delivery process and result of service. (Parasuraman, Zeithaml and Berry, 1988) According to Andaleeb and Carolyn (2006), service quality is one of the critical attributes that driving satisfaction in the service delivery process and the result of the process is defined as service quality.

The current marketplace has become more competitive nowadays, adding superior value to products and services of the company are important as it is the best way to gain competitive advantage. (Woodruff, 1997) Thus, service quality has become an important factor for the company to add value into

their products and services. In addition, coffee outlets also face the challenges and are being forced to find new ways to differentiate themselves among their competitors. (Po-Tsang and Hsin-Hui, 2009) Moreover, “providing service quality is considered an essential strategy for success and survive” in the industry. (Dawkins and Reichheld, 1990; Parasuraman, 1985; Reichheld and Sasser, 1990; Zeithaml, 1996).

According to Rahim, Osman and Ramayah (2010), service quality is one of the determinants and factors of customer satisfaction and loyalty. Based on their research, there is 43% of customers’ satisfaction change due to the service quality. (Rahim, Osman and Ramayah, 2010) In addition, there is 45% of customers’ loyalty changed when service quality changed. (Rahim, Osman and Ramayah, 2010) Besides, service quality caused a significant positive influence on customer satisfaction and the research showed that food personnel service may has great impact on customers’ satisfaction and gave customer good shopping experiences. (Ming-Shing, Huey-Der and Ming-Fen, n. d) On the other hand, service quality caused “ positive influence” on customer loyalty. (Ming-Shing, Huey-Der and Ming-Fen, n. d) Meanwhile, good service quality may lead to high customer satisfaction and in their research; they found out that high customer satisfaction will naturally causes higher customer loyalty. (Ming-Shing, Huey-Der and Ming-Fen, n. d)

In the discussion, Andaleeb and Carolyn (2006) found out that “responsiveness dimension of service quality” is the most critical to customers in restaurant industry. The responsiveness such as server’s appearance, knowledge on the menu and server’s attitude may have impact on the customers’ satisfaction and loyalty. (Andaleeb and Carolyn, 2006)

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Besides, service quality also may affect customer's perceived value especially based on functional value and symbolic value. (Po-Tsang and Hsin-Hui, 2009) They further discuss the effect of the service quality that functional value reflects the employees' attitude and service quality whereas symbolic value " reflects social, emotional, aesthetic and reputational aspect of service quality during coffee consumption". (Po-Tsang and Hsin-Hui, 2009)

2.3.5 Food Offering

Food offering defined as the food and beverages that served in the café. At here, the food offering will be measured more into the quality of food and beverages and also choices that available in the café and. According to Wendy and Lynn (2008), food quality is hard to define because they are " classified as credence attributes". Basically, customer derived quality perceptions from other product cues, either intrinsically or extrinsically. (Wendy and Lynn, 2008)

Based on Andaleeb and Carolyn (2006), food quality was ranked third important attributes to customer satisfaction. However, food quality is not counted as the factor of individual's decision to select café although provides better food quality may lead to higher customer satisfaction. (Andaleeb and Carolyn, 2006) In addition, food quality is an important factor to the customer's total evaluation of satisfaction. (Hong, Victor and Qilan, 2010) Besides, food quality is deemed related to satisfaction within fast food restaurants. (Johns and Howard, 1998)

On the other hand, Po-Tsang and Hsin-Hui (2009) found out that coffee quality and food and beverage factors may influence the perceived value of

the customers including functional and symbolic values.(Po-Tsang and Hsin-Hui, 2009) Therefore, food quality are considered as attribute which can provide " value that customers perceived through a coffee consumption experience". (Po-Tsang and Hsin-Hui, 2009)

2. 3. 6 Physical Environment

Physical environment is the place where the customers present during the service delivery process. (Ute, Bo, Asa, 2010) In advance, physical environment can be called as servicescape. (Bitner's, 1992) Servicescape is the man made " physical surrounding that invokes in customers a desire to stay". (Bitner's, 1992) Basically, it combined with tangible facilities that can enhance the performance of the service. (Bitner's, 1992) Besides, Nelson and Joseph defined physical environment as a tangible element of service with the " appearance of physical facilities, personnel, communication materials, and other physical features" that used to deliver service.

Meanwhile, physical environment can also be divided into cleanliness or tidiness of the environment and facilities. (Johnston, 1995) According to Brady and Cronin (2001), ambient conditions, facilities design and social factors may influence the perceived quality of the customer towards the physical environment. Facilities design mention about the functional, aesthetic describe how " visual pleasing is the environment" and social condition showed the " numbers and types" of people at the setting. (Raajpoot, 2002) Ryu and Jang (2008) introduce DINESCAPE which are constructing by six elements such as " facility aesthetics, lighting, ambience, layout, dining equipment, and employees" to describe the internal dining environment of restaurant.

According to Kisang and Soocheong (2008), facility aesthetics can enable a restaurant to differentiate itself from the competitors. Besides, a favorable physical environment may enhance customer perceptions toward the image of the restaurant. Meanwhile, a physical environment created good experiences for customers which determined the extent to which customers repeat their service, recommend to their friends, and stay and spend more than initially planned. (Kisang and Soocheong, 2008) Moreover, a good experience stimulates customer loyalty and customer satisfaction. (Kisang and Soocheong, 2008)

2.3.7 Nostalgia

Nostos and Algos are the Greek words of nostalgia and it means to "return home or to one's native land". (Hofer, 1688) However, in a sociological perspective, nostalgia means that people "attach meaning based on their past experiences". (Wilson, 1999) Besides, Holbrook and Schindler (1996) defined nostalgia as "a longing for the past, yearning for yesterday" and nostalgia is the powerful attribute that may directly affect consumer preferences. Some researchers defined nostalgia as a favorable experience, attitude, and preferences of the past. (Holbrook and Schindler, 1996)

According to Wilson (1999), in the marketplace, advertisers use nostalgia as tools to allow consumers to recapture the past and feel the past time. In addition, nostalgia is capable of bringing up lots of emotional responses such as "joy, innocence, gratitude, affection, and warmth". (Muehling and Spratt, 2004) Based on Westbrook and Oliver (1991) stated that nostalgia created emotion or feeling that may enhance consumption experiences which may influence customers' satisfaction. According to Laverie, Kleine, and Kleine
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(1993), “ emotions are linked to consumption experiences” which may cause greater customer satisfaction is experienced.

2. 3. 8 Word of Mouth

Word of mouth is defined as the information communication that flows “ between private parties concerning evaluation of good and services”.

(Westbrook 1987) Customer degree of satisfaction or dissatisfaction with the consumption experience is main reason that shapes the product or service related word of mouth. (Yi, 1991)

According to Bitner (1990), loyal and satisfied or delighted customers will spread more on favorable word of mouth of the firm. They will share their experience to their friends and others about the company’s products.

(Bitner, 1990) Besides, Schlesinger and Heskett (1991), found out that there is positive relationship between customer satisfaction and word of mouth.

Furthermore, satisfied customer will tend to spread word of mouth than dissatisfied customers. (Holmes and Lett, 1977)

In the other study, Herr, Frank and John (1991), found out that “ favorable word of mouth may make customer to form favorable attitude and perceived value toward company and products”. Hong and Yang (2009) stated that if a company helps their customer to achieve personal goal and satisfied with the offering, they are more likely to spread positive word of mouth and will repurchase again the company product in the future. (Hong and Yang, 2009)

In addition, satisfied customer that spread positive word of mouth may foster customer loyalty which at the same time helps company to retain customers.

(James, 1999)On the other hand, Pedro (2010) found that there is a strong

link between “ satisfaction with food and beverage as a key driver” of positive word of mouth in service industry.

2. 3. 9 Brand Identification

Identification “ is a cognitive state where an individual comes to view him or herself as a member of social entity. (Bergami and Bagozzi, 2000) Besides, identification “ is a cognitive measure of overlap and an entity”. (Carlson, Donovan and Cumiskey, 2009) Besides, Belk defined brand identification as customers or consumers associated themselves with a brand that reflects their personality. In addition, Lichtenstein, Drumwright and Braig (2004) stated that strong identification may increase the customer spending and customer patronization.

Meanwhile, a company can create positive word of mouth through brand identification and at the same time enhance customer brand loyalty. (Chung, DongChul, Seung-Bae, 2001) Brand identification does not have direct effect on brand loyalty but word of mouth has significantly effect on brand loyalty. (Chung, DongChul, Seung-Bae, 2001) Thus, brand identification has indirectly influence on brand loyalty or customer loyalty. According to Sven and Sue (2008), satisfaction can have impacts on brand identification especially satisfied customers. Besides, customer brand identification leads to enhanced relationship management which may facilitate repurchases ad word of mouth. (Sven and Sue, 2008)

Service’s reputation can have a great impact on brand identification. (Sven and Sue, 2008) If the consumers perceive the brands in reputable, they will have higher brand identification. (Sven ad Sue, 2008) At the same time,

enhance the brand loyalty of the customers. (Sven and Sue, 2008) According to Sven and Hue (2008), customer that with high level of brand identification will feel proud to be the owner of the brand or satisfied when consuming the particular brand products. Other than that, brand identification is an important factor that maintain customers' self enhancement, fulfill their self-esteem. (Bhattacharya and Sen, 2003)

2.3.10 Affordability

Affordability is defined how much the relative amount that customers or purchaser is able to pay. (Monroe, 1989) Besides, price determined the affordability of the customers or consumers to consume something. Thus, price of the food and beverage on the menu can have great influence on customer's decision because price reflects an individual capability to purchase. (Monroe, 1989) Price is the factors which influence customer's buying decision whether to buy or not buy a product and it is viewed as the indicator of quality in customers' perspective. (Lewis and Shoemaker, 1997)

On the other hand, affordability of an individual can be judge by the reference price or so called price scale. According to Grewal, Monroe and Krishnan (1998), reference price is a price that planted in customers' memory which act as an indicator that reflect customer's expectation compare to the actual price. Price may have impact on customer customer perceived value because price plays a role as the indicator for quality of the product. According to Lewis and Shoemaker (1997) found out that two different restaurants which using two different pricing strategy may create two different quality perception.

On the other hand, price expectation has a great influence on customer satisfaction. According to Andaleeb and Conway (2006), when price accordance with expectation, customer satisfaction will increase. However, when price is not accordance with expectation, customer satisfaction will drop. Meanwhile, customer loyalty can be enhancing when the brand is low-priced brand. (Swani and Boonghee, 2010) In addition, the brand equity and purchase intention will be higher for low-priced brand. (Swani and Boonghee, 2010)

2. 3. 11 Prestige

Prestige “ is a subjective evaluative judgement about the high social status of people or inanimate objects such as brands”. (Dubois and Czellar, 2002) Besides, Bagwell and Bernheim (1996) stated that in certain context, luxury can be explained as prestige because they can be used as synonyms. In addition, Bagozzi and Gopinath and Nyer (1999) mentioned about the prestige is an evaluation judgement that often “ followed by emotional reactions” such as feeling of liking, particularly aware and admire toward prestigious people or product. Simply defined, prestige is about admiration of a product or a person. Thus, if the prestige is on an object, it can be said that it is admiration toward a product or even service. (Dubois and Czellar, 2002) Moreover, if the prestige is on person, it can be said that it is admiration toward the individual for their success, who they are and what they did before. (Dubois and Czellar, 2002)

According to Shenkar and Yuchtman-Yaar (1997), prestige by association is an important source of prestige judgement. Besides, customers “ interpret symbols associated with a brand which represent a socially shared meaning

such as luxury level of certain brand as prestige symbols". However, the symbols such as luxury does not totally represent the product can perform high performance or the perceived achievement (Shenkar and Yuchtman-Yaar, 1997). The examples given by Shenkar and Yuchtman-Yaar (1997) such as luxury restaurant does not mean that it is prestigious because the service provided are bad, the price is too expensive and others factors which may influence the brand image and reputation may lead to low prestige or even bad. Thus, from the example we can conclude that luxurious brand does not mean that it is prestigious.

According to Steenkamp, Batra and Alden (2003), brand prestige is a product or service positioning that has relative high status which related with a brand. In addition, product prestigious for a brand can be determined by overall quality and performance. (Steenkamp, Batra and Alden, 2003)

According to Choi, Chihyung and Seon (2010), when customer has relative high patronise frequency will actually enhance the customer's actual brand experience. Thus, when customer has positive perception toward a product, they will have high chances to perceive that product as the product with high prestige. (Choi, Chihyung and Seon, 2010) Besides, customers who hold a positive evaluation toward the product are more likely to have greater customer satisfaction and repurchase intention. (Wong and Zhou, 2005) In addition, prestigious product may affect customer's belief about the brand trust which at the same time leads to higher customer satisfaction and customer loyalty directly. (Choi, Chihyung and Seon, 2010)

According to Bhattacharya and Sen (2003), prestigious product can satisfy customer's self-esteem and maintain their self-enhancement. Thus,

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prestigious product may actually enhance the customer's perceived value. On the other hand, prestigious brand are expected to show that the product or service have greater quality and sometime high price may even let a product or service become even more desirable. (Rao and Kent, 1989)

2. 3. 12 Connectivity

Connectivity refers to the internet connection that available in the café. The connectivity is measured by the speed of the Wi-Fi, the signal strength of the Wi-Fi and the availability of the electricity outlets. Wi-Fi has become a basic facility that is offered in most of the café in Malaysia. At the same time, Wi-Fi is a value added facility for café to offer extra benefit for their customers such as convenience because for students, they can serve internet there whereas white collar workers can continue their works while dining at café.

On the other hand, free accessibility of Wi-Fi has become the consideration of the customers to choose a café. The reason is because free Wi-Fi enables customers to enjoy their chatting with their friends in Messenger, Facebook or even Skype. For business man, they can complete their business transaction in the café while enjoying their food there. In addition, the signal strength may affect the customer satisfaction towards the café. If the signal strength is stronger than the expectation of the customers, they will be more likely to satisfy the service offered by the café. By the way, the satisfaction may lead to the positive word of mouth that may also directly lead to positive brand image. In addition, the perceived value will be enhance due to the satisfy service offered.

Meanwhile, the café has to prepare enough electricity sockets in order to fulfill the growing customers' need. Availability of the sockets is important as it provides convenience to the customers and at the same time adds value into the service provided by the café. Besides, speed of the Wi-Fi is important and critical as the Wi-Fi speed determine the total satisfaction of the internet users. Café should provide at least reasonable speed for normal web browsing.

Lastly, the ease to connect to Wi-Fi is important factors that determined customer satisfaction. Meanwhile, the instable connection to the Wi-Fi may let down the customers' mood and affect the emotion of customers. The total satisfaction that customer got from café may indirectly and directly affect the brand loyalty of customers towards the café.