CUSTOMER PREFERENCES ON COFFEE SHOP CONSUMPTIONS: A CONCEPTUAL MODEL

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Abstract:
The aim of this study is to discuss the difference in motivation in coffee consumption and awareness of its effect on peoples. For this research, we will conduct a past literature review made from 23 papers that are being synthesized. The analysis of literature found that customer preferences influencing coffee purchases are: Taste, product design, ambiance, brand influence, location accessibility, and price are the most customer preferences on their purchasing of coffee. These preferences will determine the choices of customers in choosing a coffee shop to make a purchase and will determine any differences in the purchasing power of coffee. The limitation of this research is that this research only studies customers’ preferences for coffee shops. The findings of this study will be useful for the stakeholders, coffee shop owners, and coffee shop consumers in different areas of Jakarta. In the future, the qualitative and quantitative research process can be conducted to reconfirm and to improve the findings of this paper.

Keywords:
Coffee, Brand, Purchase, Preferences, Jakarta

Introduction
Coffee is one of the most widely consumed beverages in the world. Currently, the coffee industry is considered as a very important and high value-added business. Coffee is the second most traded commodity in the world, second to crude oil. It is cultivated in over 70 countries
by thousands of farmers. It is estimated that 1.6 billion cups of coffee are consumed worldwide every day (Rogers, 2013).

Coffee is also a widely popular beverage in Indonesia. Indonesia ranks as the third-largest coffee producer in the world in 2014, with an estimated Indonesia’s coffee production reached 622 thousand metric tons per year, according to the International Coffee Organization (ICO). The world’s production is dominated by the top four producers, where Indonesia is the third place. According to data compiled by the Indonesia Coffee Annual Report in 2016, coffee consumption in Indonesia surged to 4,500,000 bags in 2016 from only 1,664,000 bags in 2000.

![Figure 1: Total Coffee Consumption in Indonesia from 1990 to 2016](source: Wright T, & Rahmanulloh A, 2016)

According to USDA Foreign Agricultural Service (2018), Indonesian coffee desire continues to grow. Indonesia’s coffee consumption will be estimated to increase to 3.9 million bags in 2018/19, about 340,000 bags higher than 2017/18 consumption.

To enjoy Coffee products, people frequently visit the coffee shop. The coffee shop is already being a highly saturated market, especially in big cities. According to Euromonitor (2016), specialist coffee shops were the fastest-growing major restaurant category in terms of global sales, increasing by 9.1%. A notable fact is that this growth was consistent across the world. According to the Indonesia Coffee Annual Report, total coffee consumption in Indonesia in 2016 is equivalent to 4,500,000 60kg bags of coffee.

The increasing number of coffee shops consumption is also can be felt in Indonesia. The number of specialty coffee outlets and chain-store coffee shops in Indonesia has increased to 1,025 and 1,083, respectively, between 2012 and 2016, with most of the outlets are built-in Jakarta, according to data compiled by Euromonitor research group. People come and go to coffee shops, not without their reasons. As such, different coffee shops have different concepts, different vibes, and different tastes of coffee. With those differences, coffee shops also segmented their price points according to their target market.

Most restaurants, including coffee shops, can be classified into one of two ownership structures, these includes chain and/or franchised restaurants, and independent restaurants (Parsa et al., 2005). Examples of independent coffee shops are HAUS Coffee Shop in Ciputat,
Kopi Johnny in Kelapa Gading, and other locations. Examples of franchised coffee shops are Starbucks Coffee, Excelso Coffee, Coffee Bean, and other locations. Generally, franchised coffee shops opened their stores not only in Jakarta but also in other cities in Indonesia, some even abroad.

After doing a short preliminary interview, it is found that different people are attracted to different factors of why they are visiting individual coffee shops. University students, often restrained by their budget, prefer to go to the coffee shops offering the best convenience for them. For example, to coffee shops located nearest to where they live or the one offering delivery services via an online platform (GoFood or GrabFood), while businessmen or employees prefer to go to coffee shops with a well-known brand name to conduct a meeting with their clients.

The goal of this research is to answer the following:
1. What are the preferences of consumers in buying coffee?
2. Do the demographic factors of consumers’ influence on coffee selection preferences?
3. What is the range of price limits of consumers in buying coffee?
4. Does the demographic factor of consumers influence the price limits of consumers in buying coffee?

The objectives of this research project are to:
1. Determine the preferences of consumers in buying coffee.
2. Determine if the demographic factors of consumers influence their coffee selection preferences.
3. Determine the range of price limits of consumers in buying coffee.
4. Determine whether the demographic factor of consumers influence the price limits of consumers in buying coffee.

This study is conducted using an analysis of literature studies. Twenty-three studies are used in this study. A conceptual framework is produced at the end of the paper. The conceptual framework and methods can be used in other major cities in Indonesia. In the end, the findings from this research could be essential for coffee shop owners in Indonesia.

Literature Review
The review of the literature is divided into nine sections and contains an explanation for the study. A conceptual framework mapping will be available to indicate the research position of this study.

Consumer Preferences
Consumer preferences have been considered a significant factor when designing marketing strategies aimed at developing global appeal for consumers, or lifestyle products (Buzzell, 1968).

Consumers’ preferences for products or brands arise from the combination of different factors. Some factors come from features of the product (e.g., price, design), while others are attributes of consumers (e.g., their goals, attitudes, discretionary income), (Venkatraman, Clithero, Fitzsimons, and Huettel, 2012).
Cullen and Kingston (2009) found that consumers respond to their consumption experience by establishing positive or negative attitudes regarding the product and form decisions regarding repeat purchase intentions. Being able to perceive trends regarding consumer preferences is an essential input into restaurant decision-making.

Preference indicates choices among neutral or more valued options that are available (Ubeja & Jain, 2013). Philip (2001) stated that preferences are essential to treat conflicting information in non-monotonic reasoning, about actions and time, planning, diagnosis, configuration, and other areas in knowledge representation and reasoning. Preferences are complementary to constraint and represent the counterpart to objective or utility functions.

Since the study about ownership of coffee shops are lacking, ownership models are reviewed using restaurants as the subjects. It can be applied to coffee shops as well. Consumer behaviour studies examine this process using constructs that include personality, attitude, and lifestyle aspects (Foxall & Goldsmith, 1994).

Consumer behavior is motivated by benefits leading to preferences for some specific product attributes (Hofstede, Aubernaert, Steenkamp, & Wedel, 1998). Studies in product development involve the identification of consumer segments and the evaluation of their liking patterns (Piccolo & D'Elia, 2008).

**Taste**
The taste will determine the flavors and recipes used to prepare a specific product to attract consumers to buy continuously. Taste and smell are the body's principal mechanism for assessing the chemical composition of foods, for both nutrients and toxicity (Morini, 2007). According to a study by Gaspar et al (2016) the most cited reasons for not consuming coffee were that consumers ‘not liking’ the taste and/or aroma of the coffee. Customers will be willing to purchase the product that tasted better according to their perception.

The founding in the seventh “Coffee Consumption Trends”, the second main reason to consume coffee was to enjoy the taste of coffee (Associação Brasileira da Indústria de Café, 2008).

**Product Design**
Product design is the development of ideas through a process that leads to new products. It can be said that product design is how the coffee is designed by the coffee maker e.g., the barista and how they presented to the customer. The different color, components, texture, shape, and arrangements of the coffee must work pleasantly and appropriately in order to form a pleasing combination on a plate (Zampollo et al., 2011). It is important for coffee shops to uncover practices to place their services and products distinctly apart from their competitors due to the highly competitive market environment, where a coffee shop’s products and services may begin to be perceived as an undifferentiated (Lee & Yeu, 2010).

**Ambiance**
The ambiance is the quality of the surrounding space that is perceived by customers (Jang, 2008). According to Kotler (1973), it is the consciously designed space to produce specific emotional effects in customers that will enhance their willingness to purchase. Coffee shops
are used not just for coffee consumption, but also for a place to hang-out and doing other activities like working on homework. Thus, a positive ambiance will expectedly have a positive effect on customer willingness to purchase. According to Raajpoot (2002), physical environment is one important influence to create an image that manipulates customer behaviour.

**Brand Influence**

Consumer perception of a brand is an essential aspect of the marketing mix (Gabor & Contiu, 2012). Jin and Weber (2013) proposed that brands served primarily as a way for customers to identify and recognize goods and their manufacturers. Many factors have a positive effect on Brands, such as location, as found by Wang, Tran, and Nguyen (2014).

The implementation of branding schemes to differentiate and publicize a clear brand identity is one of the most competitive advantages a coffee shop business can utilize (Ahearne & Bhattacharya, 2005; O’Neill & Mattila, 2004).

**Location / Accessibility**

Accessibility of a location, determined by the transport system and land-use pattern, is indicated as an important determinant of the development potential of a location. For coffee shops, a good location is one that takes into consideration the geographic, demographic, and psychographic factors, and any changes in these factors could have a significant influence on the degree of location attractiveness. Past studies reported that the choice of location has a positive effect on brand equity. Wang, Tran, and Nguyen (2014) found that the restaurant's location has a positive effect on brand loyalty, and it is considered as a dimension of brand equity.

**Price**

Price has been considered as one of the foremost essential factors that influence the behavior of both companies and customers. Past literature reported that consumers’ perceived fairness of price has the primary effect on their purchasing choices (Sinha & Batra, 1999). From interviews conducted, it is revealed that customers always had their budgets in mind before making a purchase of coffee in coffee shops. According to a study by Roberts (1996), price, along with quality, convenience, and brand are still the most important decision factors.

**Willingness to Pay**

Willingness to pay (WTP) is how much a customer will be paying willingly for a product or service. Studies have shown that minor variations of prices and the corresponding consumer behavior can have notable effects on revenues and profits (Marn et al., 2003). For coffee shops, a correct pricing strategy combined with other marketing or product strategies will ensure that customers purchase coffee at their coffee shops repeatedly.

**Restaurants**

Restaurants are defined generally as organizations providing food and beverages services at a specific location in return for a monetary payment. (Brotherton, 2003; Kiefer, 2002; Ottenbacher et al., 2007). Schmidgall et al. (2002) define a restaurant as a for-profit food service operation whose primary business involves the sale of food/beverage products to individuals and or small groups of guests (p.239).
Apart from the difference in restaurant types, restaurants can be classified into different management and ownership structures. Those are chain restaurants, franchised restaurants, and independent restaurants. (Parsa et al., 2005).

Chain and franchise managed restaurants tend to have a central management system that handles most of the needs of the restaurants. (Lesonsky, 2012; Siebert, 2007). An independent ownership means a restaurant is owned and run by one person, employing a handful of staffs. Partnership restaurants operate with an agreement between two or more investors who share profits but may or may not be involved in the operations of the place. The corporation structure means the place has a legal entity in and of itself, and its operation is separated from its shareholders. Franchising structure means restaurants pay a percentage of sales and fees to a parent company in return for using its brand name, concept, and management system (McNeill, 2000).

The food industry is diverse, and therefore the narrow focus of these definitions can be attributed to the need for a more straightforward definition to cover many styles of restaurants. Based on menu styles, prices, food quality, service provided, and ambiance created in the establishments, restaurants can be categorized into different styles (Dittmer, 2003). Most restaurants can be classified into one of four major restaurant types: Fine Dining, Casual Dining, Fast-Casual, and Quick-Service Restaurants, all of them offer different price structures, atmospheres, service styles, and experiences. (Parsa et al., 2005).

The research data on the cafe and coffee shop sector of hospitality industry is lacking. However, there are some useful research on success and failure in the restaurant sector, and the data could be used as a comparison. Less than 50% of all restaurants operating in 2009 remained in business in 2013 (Lee, 2016). In many countries across the world, a thriving restaurant sector is critical for the tourism and hospitality industry as well as for the livelihood of the owners, managers, and employees. There is a gap in the understanding of how SMEs in the restaurant sector operates and the factors that drive firm performance.

**Discussions**

From the preliminary interview conducted and literature reviewed, this study identified six factors affecting customer decision in purchasing coffee, which will cause the customer to purchase the coffee in individual coffee shops. These factors were determined by listing factors mentioned in previous studies and by interviewing with several coffee shop consumers. From the consumers’ point of view, the coffee taste from previous purchases, and reviews from others will affect how much they are willing to pay for a product. They would like to ensure that the products they purchased tasted according to how much they pay. Taste of a coffee will be determined by the ingredients and how they are made, which will affect the price of the product (Breidhert, 2006).

The next factor influencing factors is product design. It is about how a product is prepared and how it is presented to consumers. Product packaging is also considered in the product design aspect. Colors, components, texture, shape, and arrangements of the coffee must work pleasantly in order to form a pleasing combination on a plate (Zampollo et al., 2011).

According to the previous study, the ambiance is an essential influence in creating an image that manipulates customer behavior, especially in the restaurant industry (Jang, 2007).
Researches argued that there is a direct connection between the physical environment and customer satisfaction. From the interview, it is known that the right ambiance will ensure customers repeat their purchase in the future, and they are willing to pay more for the product if the coffee shop has a pleasing ambiance.

The next important factor considered is brand influence. Customers will be willing to pay a premium price for a well-known coffee brand, according to the previous study and from the interview. A well-known brand will give peace of mind to customers, knowing that they will get a proper product and experience for the price they had paid. A right brand image for a company will also create a special status for its customers and will make customers willing to pay more for their products.

Accessibilities to reach the coffee shop is also a vital aspect for consumers to consider. Even though it is possible to buy coffee products via delivery services, customers looking to hang out in coffee shops will consider the nearest coffee shops in their area as the place to go.

The last factor to be considered is the price factor. Special prices also increase the likeliness for the consumer to buy coffee from individual coffee shops. The specific price premium on some coffee brands will project an exclusive image to their customers. Thus, not everyone is competing to lower their prices.

**Methodology**

This study is conducted using literature synthesis (the result can be seen in Appendix 1). Literature that are used are literatures that is connected with this study, about preferences for a coffee shops around the world. Total literature studied is 23.

From the studies it is found that there are various reasons of why customers visited coffee shops. For instance, it is found in a study in Bandung that people prefers coffee shops because of their brands (Starbucks and Excelso). Other studies found that Poland consumers prefers going to a coffee shops with product quality considerations. (perlu dijelaskan lagi?) After a review of 20 studies related to this research, it is found that there are six indicators that consumers consider before making a purchase. Those are taste, product design, ambiance, brand influence, location accessibility, and price.

**Analysis**

From the literature synthesis of 23 literatures, it is found that that there are six indicators that consumers have to consider before purchasing a coffee product. This statement is by analysing the previous study that have been conducted by researcher around the world. The studies used for literature reviews are about coffee shop preferences. After few studies has been examined, it is found 6 factors that has been consistent in becoming a deciding factor. The key factors are taste, product design, ambiance, brand influence, location accessibility, and price.
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5. Wróblewski, Ł., Maciejewski, G., & Mokrysz, S. (2018). Consumer preferences on the coffee market in developing Central European Countries: on the example of Poland. Creative Commons CC BY. |
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Conclusions
Based on the discussion, this study can conclude that there are six indicators that consumers have to consider before purchasing a coffee product. The key factors are taste, product design, ambiance, brand influence, location accessibility, and price. The contributing factors directly or indirectly play a role in consumer decision making process. The findings in this research can be used to determine marketing strategies, product strategies, and pricing strategies for coffee shop owners.

Figure 2. Proposed Conceptual Model

Source: Author’s Analysis
Further research could use the conceptual framework to determine the coffee preferences for a more niche market, such as the coffee lab concepts for coffee shops that are found in many areas in Jakarta and Bandung. Another research related to coffee shop preferences could be compared with the findings in this paper in order to generate a better understanding of the coffee shop industry in Indonesia.

References


