Exploring Customer Perception of Service Quality in Coffeehouse Chains

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Abstract

Turkey is a fast growing market for global coffeehouse brands. This exploratory study investigates the service quality considerations of coffeehouse chains as perceived by the customers; namely customer expectations, loyalty, reasons of preference over coffee house brands, and service attributes of the coffee house brands in Turkey. Data are collected from a sample in several popular shopping malls in different parts of Istanbul that shelters coffeehouses of all of the brands included in this study through a survey questionnaire. The sample is chosen randomly and the survey is conducted mostly at weekends. The brands included in this survey are the five top global brands and one domestic brand. Results give evidence that further study may expose more revealing findings about customer satisfaction and commitment in coffee house brands.

Introduction

Service industries have learned the hard way that in today's fast-changing volatile markets customers switch brands so quickly when they are not fully satisfied with the products or services they've been getting. Customers nowadays have much more knowledge of the products than they had a decade ago thanks to internet or so; they can share experiences with other customers, easily compare products/services with the ones they're buying presently without even going out and whenever they run into higher-quality products of the same category they do not hesitate to alter their buying choices. This situation makes competition even harder to cope with and more challenging for companies which really desire to be closer to the customers and leaves them with no choice other than opting for investing heavily on the level of customer service quality.

In this volatile environment, it is crucial for companies to gain a competitive advantage by increasing loyalty through improved consumer satisfaction (Reicheld & Sasser, 1990). Silvestro & Cross (2000) points out that there is a strong correlation between profit; growth; customer loyalty; customer satisfaction; the value of goods and services delivered to customers; service quality and employee capability. Retaining customers is therefore a vital task for any company to survive. To keep customers on hand is a function of the quality level of customer service. Better customer service means higher customer satisfaction, more loyal customers and longer the loyalty of customers.

The literature has shown considerable evidence of interrelationships between food quality, service quality, customer satisfaction and repeat patronage. Some studies about service quality, specifically in relation to fast food, contributed to the literature. Mersha and Adlakaha (1992), brought to light the importance of attributes for some types of services. The results indicated that the four main factors are: speed of service, interest in correcting errors, reasonable prices and a pleasing environment. Kara et al. (1997) made a study about the factors regarding the choice of a fast food restaurant in the USA and Canada. In the USA,

regular customers mainly value factors such as variety, speed, and friendly staff, while occasional customers favor price and promotions. In Canada, regular customers prioritize convenience of location and availability of nutritional information, while occasional customers favored price, location and novelties. Law et al. (2004) investigated eight quality factors affecting customer satisfaction and found results indicating that waiting time and other service factors such as staff attitude, environment, seat availability and food quality significantly influence the customers' return frequency.

Notably, the quality and satisfaction concepts have been linked to customer behavioral intentions like purchase and loyalty intention, willingness to spread positive word of mouth, referral, and complaint intention by many researchers (Olsen, 2002; Soderlund & Ohman, 2005). It has been well established by a number of studies that service quality is an antecedent of customer satisfaction (Chow et al., 2007), which in turn leads to favorable behavioral intentions such as repurchase and recommendation to others (Cheng, 2006; Ladhari et al., 2008). When service quality of a business increases customer loyalty becomes a reality and in turn price sensitivity, complaints & brand switching tendency declines (Zeithaml et al., 1996) While satisfaction is not the only strategy, a fundamental approach to improving customer retention is enhancing customer satisfaction levels. Thus, a major component in any customer retention/loyalty program in the hospitality industry is satisfaction. The overwhelming numbers of studies of customer satisfaction outcomes in the service industry indicate a positive relationship between customer satisfaction and repurchase intention (Cronin & Taylor, 1992; Anderson & Sullivan, 1993; Getty & Thompson, 1994; Kivela et al.,1999).

A study conducted by Cronin and Taylor (1992) in service sectors, such as casual dining, banking, and dry cleaning, showed that customer satisfaction has a significant impact on repurchase intention in those sectors. Anderson and Sullivan (1993) verified that a high level of customer satisfaction decreases the perceived benefits of service provider switching, thereby increasing customer repurchase intention. In addition, Getty and Thompson (1994), in investigating the relationship among service quality, satisfaction, and behavioral intentions, suggested that customer behavioral intentions to recommend and repurchase are positive functions of their perception of satisfaction and service quality. Further, in their empirical investigation of the link between dining satisfaction and post-dining behavioral intentions, Kivela et al. (1999) found that dining satisfaction significantly influences behavioral intentions. These studies all provide empirical evidence of a positive relationship between customer satisfaction and revisit intention in the restaurant industry. Satisfied customers are more likely to refuse competitive offers from competitors and repurchase the product or service from the current provider (Cronin & Taylor, 1992; Anderson & Sullivan, 1993; Zeithaml et al., 1996). It has been suggested that satisfaction leads to repeat purchase and brand loyalty (Cronin & Taylor 1992). However, other research evidence has shown that perceived value, rather than customer satisfaction, is a better predictor of customer loyalty (Reicheld, 1996). Lee et al. (2005) reported that value is the consequence of a good product and good service quality. Since customer value affects customer satisfaction and customer loyalty, value can then be found as the mediator to achieving customer satisfaction and loyalty (Bontis et al., 2007; Kwonet al., 2007; Lam, et al., 2004).

Although there are a range of factors which may contribute to satisfying or exceeding the expectations of a certain segment of customers, for the purpose of this paper however, two the relative importance of the service quality attributes will be examined in terms of customer satisfaction and loyalty. These issues will be examined for the branded coffeehouses, since this segment of the market shows remarkable success in the past few years and this industry is widely considered as being extremely competitive and lucrative. This paper briefly attempts to answer the question, "which quality attributes of service make the customers loyal to a certain coffeehouse brand and rank higher than the others in the customer's perception?"

Coffeehouse Brands

Turkey is a country with its unique coffee culture dating as far back as 16th century. Branded coffeehouse chains are relatively new in Turkey reminding that the world's biggest coffeehouse chain, Starbucks opened its first shop only in 2003. Although there are traditional coffee houses in many parts of Turkey serving only Turkish coffee and tea, modern cafés or coffeehouses with domestic brands like Kahve Dünyası (Coffee World) and internationally known brands such as Gloria Jeans, Café Nero, Tchibo are getting swiftly popular in the modern parts of the city, especially in shopping malls or alongside busy shopping streets.

Coffeehouse Brands	No of persons	%
Starbucks	46	25.8
Coffee World	42	23.6
No difference	23	12.9
Gloria Jeans	21	11.8
Cafe Nero	16	9.0
Cafe Crown	15	8.4
Tchibo	13	7.3
Other	2	1.1
Total	178	100

Table 1. The preference rank of coffeehouse brands

The most preferred brands by coffeehouse customers are Starbucks and Coffee World. Both brands together are picked by nearly half of the respondents (49.4%) while 12.9% of them states that they do not differentiate among brands. This leaves 37% which is shared among the other brands including Gloria Jeans, Cafe Nero, Cafe Crown, Tchibo (see Table 1).

Degree of brand loyalty	*Coffeehouse brands*			Total
	Starbucks	Coffee World	Other Brands	
Always choose the same brand	**32** 69.57 %	**30** 71.43 %	**61** 67.78 %	**123** 69.1 %
Don't differentiate any brands	**13** 28.26 %	**10** 23.81 %	**27** 30.00 %	**50** 28.1 %
Choose the ones with special discounts	**1** 2.17 %	**2** 4.76 %	**2** 2.22 %	**5** 2.8 %
Total number of respondents	**46** 100 %	**42** 100 %	**90** 100 %	**178** 100 %

Table 2. Degree of loyalty in terms of two leading brands

Loyal customers have the habit of going to the same brand coffeehouse regularly. In our survey this group comprises nearly 70 % of all the respondents and this means that some of the brand conscious consumers may switch to other brands for some reasons (see Table 2).

Service Type	No of persons	%
Table service only	71	39.9
Mixed (Self Service & Take Away)	43	24.2
Self Service only	34	19.1
Mixed (Table Service & Take Away)	22	12.4
Take Away service	8	4.5
Total number of respondents	178	100

Table 3. Rank of service types preferred at the coffeehouses

Customers are divided on the issue of type of service preferred; table service is the most preferred type of service with almost 40% but nearly 37% of customers choose mixed type although this includes a small portion of table service in itself too (see Table 3).

Methodology of Research

This paper presents a study which explores the service quality attributes of coffeehouse as perceived by the customers in Turkey. In this survey, main interest was to explore the quality attributes of the service the customers are keen on getting in the coffee houses in Turkey. This study is a preliminary analysis exploring the current status. It is designed to be carried out with customers selected randomly in Istanbul to see if there is a meaningful difference on the quality of service among coffeehouse brands. This survey was carried out in 2010 in Istanbul. City of Istanbul was chosen as the survey area, not just because it has the highest population in Turkey, but rather it attracts global brands like Starbucks, Gloria Jeans as well as the domestic brands more than the other big cities in Turkey.

Data collection procedure

In the survey which is about how the customers perceive services of the coffeehouses asking questions directly to the customers of this service was seen to be the best possible way to collect the primary data. A questionnaire was decided to be the only tool for data collection and shopping malls was chosen as the main survey area because almost all of the malls contain at least some of the coffeehouse brands. This way it was not just possible to reach the target customers but also to evenly distribute the questionnaires among the brands. The data for this study were collected by questionnaires which were filled in either by directing questions to the interviewees (70 persons) or through 125 self-administered questionnaires, which had been distributed by e-mails (125 persons). 195 completed questionnaires were obtained for the final inspection and 17 of them were left out for being incomplete. This figure is within the survey standards and represents the corresponding segment, thus acceptable for evaluation in the later stages of the research. A statistical package (SPSS 12.0) is used in the survey to analyze data.

Research design

The questionnaire has basically three sections and consists of 22 questions. The first group of questions was related to the personal information of interviewee. Second part aims to identify the general characteristics of the habitude of coffeehouse customers, such as reasons, frequency, and time of going to coffeehouses, type of coffee preferred and type of service preferred. Third part was main section of the research in which questions aim at disclosing the

reasons for preferring the coffeehouse brands; quality attributes of service, product, sales person, and ambience. Also the probable attitudes of customers are explored in case of unmet needs or expectations in relation to service, product, sales person, and ambience.

Findings of the Survey

The majority of the 178 respondents are from age group 20-45 (83.1 %) while nearly the same number of persons is either studying at the university or already holding a university degree (83.7 %). The biggest age group was 20-30 range with 44.9 per cent. Distribution of respondents according to sex is as follows: women (58.4%) men (41.6). Overwhelming majority of the respondents (143 persons with 80.3 per cent) stated that they have a job and while 20 persons (11.2 per cent) were students and only 2 were jobless. Nearly half of the respondents had monthly income of 700-1750 US dollars (48.3 per cent) 1750-3500 $ income group (26.4) was second in the list.

			Preference Rank of Branded Coffeehouses								
			Starbucks	Coffee World	Gloria Jeans	Café Nero	Café Crown	Tchibo	Other	No specific brand	**Total**
AGE	**< 20**	N	0	1	1	0	1	3	0	4	10
		%	0	2.4	4.8	0	6.7	23.1	0	17.4	**10.0**
	20 < x <30	N	30	18	7	8	6	2	2	7	80
		%	**65.2**	**42.9**	33.3	**50.0**	**40.0**	15.4	**100.0**	30.4	44.9
	30 < x < 45		13	15	12	8	6	4	0	10	68
		%	28.3	35.7	**57.1**	**50.0**	**40.0**	**30.8**	0	**43.5**	38.2
	> 45		3	8	1	0	2	4	0	2	20
		%	6.5	19.0	4.8	0	**13.3**	**30.8**	**0**	8.7	**11.2**
	Total	N	46	42	21	16	15	13	2	23	178
		%	25.8	23.6	11.8	9.0	8.4	7.3	1.1	12.9	100.0

Table 4- Cross tabulation of the preferences of branded coffeehouses by age groups

Figures show that the Starbucks gets its biggest share from the age group of 20-30 with 65 per cent of its' customers. Coffee World's situation is nearly identical with one exception; its' second largest group (30-45) follows the first largest (20-30) very closely altogether making 78.6 % of its' loyal customers. This number is 93.5% for Starbucks (see Table 4). If we attempt to define regular customers as visiting a coffeehouse at least once a week this group comprise 43.6 of the respondents (everyday visitors are included) and this is a fairly good number to give an idea about coffee drinking habit of the respondents. Figures show that 18 per cent can hardly be regarded as having coffee dinking habit (see Table 5). Amongst the regular coffeehouse visitors Starbucks has the largest share; 27 persons (35%) Coffee World is second with 13 persons (15%) and the other brands claim the rest (37%).

Frequency of Patronage	No of persons	%
At least once in a month	69	38.8
At least once in a week	67	37.6
Rarely (longer than a month)	32	18.0
Every day	10	5.6
Total	178	100

Table 5. Frequency of visiting the coffeehouses

Another finding is that Coffeehouses are most visited at the weekends. 45.5 percent of respondents visit only weekends while 42.7 per cent says they go to coffeehouses both weekdays and weekends which makes weekends as the favorite time for visiting coffeehouses of respondents (88.2 per cent in overall). Figures show that weekdays only option has a very low response rate with 11.8 per cent (see Table 6). On the other hand weekends only option is topping the list within Coffee World's customers with 50% while both (weekends & weekdays) option takes the lead at Starbucks with again 50% of its customers.

Weekdays of Patronage	No of persons	%
Weekends only	81	45.5
Weekdays only	21	11.8
Both (weekends & weekdays)	76	42.7
Total	178	100

Table 6. Distribution of visits in a week

Most popular time of coffeehouse visits is the afternoons. The interval between noon and evenings is the most preferred time span for visiting branded coffeehouses. Most striking fact is that it exceeds the sum of four other time spans with 56.2 per cent (100 out of 178) against 43.8. Evening is the second preferred time span with a fairly low 23 % (see Table 7).

Visiting times during day	No of persons	%
Morning	6	3.4
Before noon	11	6.2
Noon	20	11.2
Afternoon	100	56.2
Evening	41	23.0
Total	178	100

Table 7. Visiting times of coffeehouse consumers

This is also true for the two leading brands; afternoon is the most preferred time to enjoy time at the coffeehouse. Only difference is being that at Starbucks this figure is nearly 70 per cent within its customers while it is 55% at Coffee World.

The majority of respondents (52 %) go to branded coffeehouses for no apparent reason other than just to enjoy the atmosphere and have a nice time. Starbucks' ratio in this

compartment is superior to that of Coffee World's with a little more than two thirds of its 'dependable' customers (67.4%) against the half of customers (50%) (see Table 8).

Visiting drives for coffee consumers	*Coffeehouse brands*			Total
	Starbucks	Coffee World	Other Brands	
to enjoy the atmosphere	**31** 67.4 %	**21** 50.0 %	**41** 45.55 %	**93** 52.2 %
on special occasions	**7** 15.2 %	**11** 26.2 %	**35** 38.9 %	**53** 29.8 %
coffee addiction	**8** 17.4 %	**10** 23.8 %	**14** 15.55 %	**32** 18.0 %
Total	**46** 100 %	**42** 100 %	**90** 100 %	**178** 100 %

Table 8. Visiting drives for coffeehouse consumers

Service Quality Attributes in Customer's Perception

First, to better understand which service attributes have the most influence on customer satisfaction and repurchase intentions of customers we grouped the service quality attributes in four groups; namely service operations, product, service staff and atmosphere.

Operations Factors		very important	important	not important	Total
Service speed	N	**98**	73	7	178
	%	55.1	41	3.9	100
Seat availability	N	**91**	73	14	178
	%	51.1	41	7.9	100
Staff size	N	48	**110**	20	178
	%	27	61.8	11.2	100
Good prices	N	57	**109**	12	178
	%	32	61.2	6.7	100
Standard service	N	66	**99**	13	178
	%	37.1	55.6	7.3	100
Clear menu	N	57	**95**	26	178
	%	32	53.4	14.6	100
Return of goods	N	63	**90**	25	178
	%	35.4	50.6	14	100
Brand's image	N	76	**86**	16	178
	%	42.7	48.3	9	100
Buying coffee packs	N	24	57	**97**	178
	%	13.5	32	54.5	100

Table 9. Rank order of Quality Attributes regarding service operation

There are 9 attributes regarding the service. 'Service speed' and 'seat availability' has been regarded as the most important quality attributes of service by a clear margin. Quality attributes that have been regarded as 'important' are as follows; 'size of service staff', 'prices for the value', 'standard/consistent service', 'clear and understandable menu', 'return of goods' and 'good reputation of brand'. 'Buying coffee packs' is evaluated as a non-important factor (see Table 9).

Product Factors		very important	important	not important	Total
Coffee temperature	N	**152**	21	5	178
	%	85.4	11.8	2.8	100
Fresh foods	N	**126**	44	8	178
	%	70.8	24.7	4.5	100
Product availability	N	**120**	58	-	178
	%	67.4	32.6	-	100
Coffee variety	N	74	**90**	14	178
	%	41,6	50.6	7.9	100
Original coffee beans	N	42	**82**	54	178
	%	23.6	46.1	30.3	100
Ceramic cups	N	48	**79**	51	178
	%	27	44.4	28.7	100
Food variety	N	50	**79**	49	178
	%	28.1	44.4	27.5	100

Table 10. Rank order of Quality Attributes regarding product

'Coffee temperature', 'fresh foods', and 'product availability' has been marked respectively as 'very important' attributes in relation to product. 'Coffee variety', 'serving coffee with ceramic cups', 'ground coffee/coffee beans' and 'food variety' has been evaluated as 'important' attributes (see Table 10). There isn't any non-important attributes in this group.

Service Staff Factors		very important	important	not important	Total
Staff attitude	N	**151**	26	1	178
	%	84.8	14.6	0.6	100
Complaint sensitive	N	**131**	46	1	178
	%	73.6	25.8	0.6	100
Careful service	N	**130**	47	1	178
	%	73	26.4	0.6	100
Product knowledge	N	**119**	52	7	178
	%	66.9	29.2	3.9	100
Appearance	N	**84**	79	15	178
	%	47.2	44.4	8.4	100
Informative on new products	N	62	**88**	28	178
	%	34.8	49.4	15.7	100

Table 11. Rank order of Quality Attributes regarding service staff

Service staff's attitude towards customers; warm reception, being kind and courteous, making them feel at home is very important according to 85 % of the survey respondents. Also being 'sensitive to customer complaints' and being 'careful' when interacting with customers are regarded as very important attributes. 'Product knowledge' and 'general appearance' of service staff are also among the very important attributes with less emphasis. On the other hand being 'informative on new products' is the only attribute to be considered by respondents as important in relation to the service staff (see Table 11).

Amongst the atmosphere and environment factors 'hygiene' is regarded as the most important attribute by nearly 85% of the respondents. 'Noise level' is also evaluated as the other 'very important' attribute with 55%. The only attribute which is not important to

customers is that the location has a ‘smoking allowed’ area. ‘Airplay’ and ‘parking convenience’ are important attributes each with less than 45% (see Table 12).

Environment Factors		very important	important	not important	Total
Hygiene	N	**151**	23	4	178
	%	84.8	12.9	2.2	100
Noise level	N	**99**	67	12	178
	%	55.6	37.6	6.7	100
Airplay	N	34	**80**	64	178
	%	19,1	44.9	36	100
Parking convenience	N	65	**75**	38	178
	%	36,5	42.1	21.3	100
Smoking allowed	N	53	40	**85**	178
	%	29.8	22.5	47.8	100

Table 12. Rank order of Quality Attributes regarding environment

Further Evaluations of Survey Findings

Customer perceived service quality attributes of coffeehouses in general has been found distinctively higher in product, staff or environment than the service operations itself. Coffee temperature, staff attitude and hygiene ranked highest in each group with all at 85%. The highest in service operations group was service speed with 55%.

Chi-square test has been carried out to see if there is any meaningful explanation of the data tabulated. Chi-square test indicates that there is a significant relationship between age group and brand choice. On the other hand it is also found out that there is no significant relationship between education status, sex, income level and brand, service type, visiting drives. Furthermore, there is a significant relationship between service speed and brand choice as well as between noise level and brand choice. This implies that choice of brand is affected by service speed and noise level positively. There is no distinction on the basis of coffee temperature, staff attitude and hygiene as far as the tests are concerned. Some striking findings are as follows:

- Nearly all (86%) coffeehouse consumers made their brand preferences. Coffeehouse brand loyalty is 69%.
- Young consumers prefer Starbucks more than any other brand. Service speed and noise level are the attributes in which a brand makes a difference than the others.

Conclusions

Service quality emerged as a competitive advantage in the last decade especially in the hospitality industry. High level of quality service is an increasingly important asset in business survival. The hospitality industry has certainly is not exempted from increased competition or rising consumer expectations of quality. The main purpose of this study was to examine the factors that affect customers’ return patronage intentions in the coffeehouse context. For the core of the survey lies in the overall assessment of the service quality attributes as perceived by the customers and its contribution to customer satisfaction it is wise to conclude by stating that it is an area where further studies might be useful.

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