The Staff is More Important than the Price: A Study of the Consumer Loyalty Model in a Coffee Shop in Korea

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Abstract

The market of a coffee shop has matured and competition among coffee shops has gotten fierce in Asia. In Korea, the number of take-out coffee shops has increased by 21.6% per year since Starbucks launched in 1999. Sustaining customer loyalty has been regarded as an effective strategy for the profitability enhancement of companies in the maturity stage. Since loyalty has been defined in both behavioral and attitudinal perspective, attitudinal loyalty was measured by repurchase intention of each brand and behavior loyalty was measured by repurchase behaviors (Olsen, 2002; Yi & La, 2004). This study aims to analyze both attitudinal and behavior loyalty of coffee shop and to establish effective strategies to improve customer loyalty.

For conceptual framework, we have included two additional factors into 4P marketing mix model: proximity and professionalism. The research results emphasized the importance of both the 4P marketing mix method and the two additional factors—proximity indicating the accessibility of coffee shops and professionalism indicating customer-staff relationships. The 6P factors suggested in this study are defined below;

· Proximity–accessibility of location (what floor it is on, easiness to park, closeness)
· Place–comfort and coziness of inner place (interior, furniture, light, and ventilation)
· Product–product quality and variety
· Price–price competitiveness of products
· Promotion–sensitivity of customer and brand loyalty program
· Professionalism–professional and polite attitude of staff

The goal of this study was to analyze the effects of the 6P factors modified from the 4P model toward attitudinal and behavioral loyalty. Specifically, this study defined the revisit intention as the attitudinal loyalty and the having a preferred coffee shop as the behavioral loyalty. Figure 1 showed the definition and conceptual

framework of this study. The hypotheses are shown below:
- H1: The 6P factors (H1a: proximity, H1b: place, H1c: product, H1d: price, H1e: promotion, H1f: professionalism) positively affect customers' revisit intention.
- H2: The 6P factors (H2a: proximity, H2b: place, H2c: product, H2d: price, H2e: promotion, H2f: professionalism) are positively related to have a preferred coffee shop.

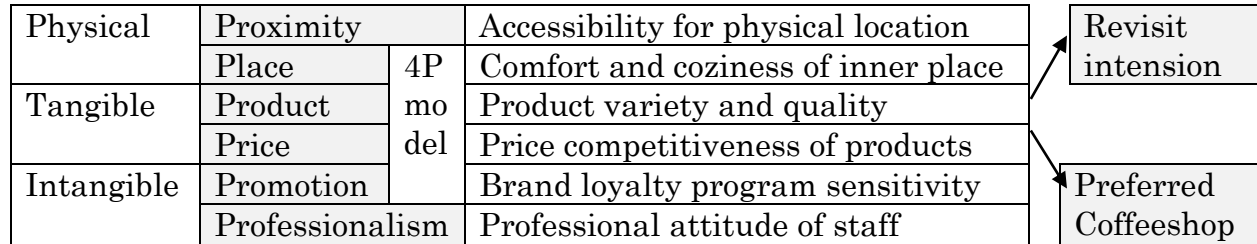| Physical	Proximity		Accessibility for physical location	Revisit intension
	Place	4P	Comfort and coziness of inner place	
Tangible	Product	mo	Product variety and quality	
	Price	del	Price competitiveness of products	
Intangible	Promotion		Brand loyalty program sensitivity	Preferred Coffeeshop
	Professionalism		Professional attitude of staff	

Figure 1. 6P Marketing Mix Model for Customer Loyalty of Coffee Shop

Based on the previous studies, this study measured 21 properties of coffee shops. The survey was conducted by the online research company from April 3rd to 10th in 2013. Samples were gathered randomly and nationally in South Korea. The total sample size was 1,030 (51.1% female, 52.1% single marital status, 83.6% college graduate or beyond).

Table 1. Results of both multivariable regression for revisit intention (attitudinal loyalty) and logistic regression for preferred coffee shop (behavioral loyalty)

Variables			Multivariable regression of Revisit intention		Logistic regression of Preferred Coffee shop	
			B	Beta	SE	Odds ratio
Demo-graphic	Age		-0.012 **	-0.105	-0.022	0.978
	Gender (female=1)		-0.106	-0.058	-0.435 **	0.647
	Marital status (married=1)		0.021	0.012	-1.023	0.359
Coffee shop Behavior	Average coffee/day		0.040	0.046	0.055	1.057
	Average expenses/ week		0.003	0.034	0.041 **	1.042
6P Factors	Physical	Proximity	0.059	0.048	-0.205 *	0.815
		Place	0.040	0.028	0.142	1.153
	Tangible	Product	0.053	0.034	0.507 **	1.660
		Price	0.060	0.047	-0.314 **	0.730
	Intangible	Promotion	0.270 **	0.203	0.357 **	1.429
		Professionalism	0.175 **	0.121	0.437 **	1.548
Cons			1.677		-1.289	0.275
Adjusted R Square / Chi Square			0.119		161.18	

* $p<.05$, ** $p<.01$

Through factor analysis, the 6P factors were extracted from 21 properties. Multivariable regression for the revisit intention is shown in Table 1: more likely to

be younger, to emphasize promotion and professionalism. The logistic regression results indicated that factors such as proximity, price, and women were less likely related to customers' coffee shop preference. Other factors such as product, promotion, professionalism, and average expenses during a week were more likely related to customers' coffee shop preference. Overall our findings partially supported the hypotheses that we described earlier in this paper (H1e, H1f, H2c, H2e, H2f).

The results demonstrated several important consequences. First, among the 6P factors, attitudinal loyalty was influenced by promotion and professionalism. Second, behavioral loyalty was significantly impacted by higher product quality, promotion, and professionalism, but it was less affected by proximity and price. This indicates that promotion and professionalism are the most important factors in building up strong loyalty and that the weakness of price and proximity can be overcome by establishing strong customer loyalty. The result can give meaningful insights for the market in Asia which is expected to pass into the maturity stage following in South Korea.

References

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KEY WORDS: *attitudinal loyalty, behavioral loyalty, 6P marketing mix model, coffee shop*

Relevance to Marketing Researchers and Practitioners: This study is relevant to researchers and marketers who deal with building a loyalty. Also, this study can be applicable other service market with relationship between a staff and customer.

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