

Factors Influencing Customers to Visit Coffee Chains

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The main objective of this study is to examine whether product, price, place and promotion will influence customers, especially the younger generation to visit the coffee chain in Malaysia. The four Ps strategies are adjusted or mixed in an attempt to develop a marketing mix that is optimised to meet the demands of the target market, especially young generation. Furthermore, this research provides an idea to marketers to have a better understanding on consumers' perception in terms of factors influencing them to visit coffee chain in Malaysia. Overall, 240 valid samples have been used in this study. Results of this study found that all of these factors have influenced the customers to visit the coffee chain. Based on factor analysis test, 19 variables have been selected in this research. Finally, at the 0.01 significant level, the analysis of this study realised that all factors, product, price, place and promotion were also can be considered as significant correlation.

JEL Codes: M31

1. Introduction

“Coffee drinking culture, especially the culture of drinking local coffee every day, has been present in Malaysia for many years. However, western trends in coffee drinking culture, due to the influence of foreign residents that live and work in Malaysia, were less well established in Malaysia in 2012. However, with the growing number of cafés in Malaysia, consumers are slowly indicating more sophisticated demand with regard to the quality of coffee” (Euromonitor International, 2013). There are several coffee shops in Malaysia. Most fall under one of the big chains. The most popular coffee in Malaysia are Starbucks, Coffee Bean Tea Leaf, Dôme, San Francisco and Espressamente illy (World Heritage, 2012). The largest and most successful coffee chain in Malaysia currently is OldTown White Coffee, which boasts more than 180 outlets in Malaysia, Singapore and Indonesia and has ambitious plans to increase that number to 300 over the next three years locally and abroad (Lau, 2012). The coffee chain operation revenue has increased close to 269.9% over the past five years and has grown at a Compound Annual Growth Rate (CAGR) of 38.7% over the past four years (Business Times, 2012).

To visit the coffee chain can be one of the trends among the young generations in Malaysia. But, not many studies have been done in Malaysia related to the main reasons young generations are visiting coffee chain. In terms of marketing, it is integral to the success of a business with its primary focus on quality, consumer value and even to achieve customer satisfaction. A strategy commonly utilised is the marketing mix. Marketing mix has since been used by marketers and researchers throughout the world.

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Thus, the main objective of this study is to examine whether the marketing mix (based on product, promotion, price and place) will influence customers, especially the younger generation to visit the coffee chain in Malaysia. *“The four Ps or marketing mix paradigm has permeated the study of marketing as we know it today and has become the established framework in the discipline. In this paradigm, marketing is viewed essentially as a functional area of business. It is the responsibility of marketing managers to analyse the external environment in an attempt to better understand and satisfy consumer needs, tastes, and preferences. The four Ps of product, price, promotion, and place strategies are then adjusted or mixed in an attempt to develop a marketing mix that is optimised to meet the demands of the target market”* (Rosenbloom and Dimitrova, 2011).

This research aims to give an idea to the marketers the reasons, in terms of marketing mix for young generation to visit the coffee chain, especially in Malaysia.

The rest of paper is organised as follows. Section 2 provides the relevant literatures. The literatures of this paper will be based on four factors of marketing mix, product, place, promotion and price. Section 3 presents the explanation of the methodology. Section 4 presents the findings of research. Finally, Section 5 discusses the conclusion of the study, as well as the limitations of study.

2. Literature Review

Overview

Kotler et al (1999) highlighted four main factors of marketing mix. The four factors that were mentioned by Kotler et al (1999) were related to product, price, place and promotion. According to Möller (2006), marketing mix has been extremely influential in informing the development of marketing theory and practise. Low and Tan (1995) mentioned that the marketing mix concept has two important benefits. The marketing mix can be considered as an important tool used to enable one to see that the marketing manager's job was, in a large part, a matter of trading off the benefits of one's competitive strengths in the marketing mix against the benefits of others. Secondly, the marketing mix can be a very useful tool in helping the marketing's manager to reveal another dimension of their marketing's job. All managers have to allocate available resources among various demands and will in turn allocate these available resources among the various competitive devices of the marketing mix. This will help to instil the marketing philosophy in the organisation.

Product

“Product is a tangible object or intangible service that is produced or manufactured and offered to consumers in the market” (McCarthy, 1960; Gordon, 2012). Another definition by Kotler, Adam, Brown and Armstrong (2003) defines product as *“anything that can be offered to a market for attention, acquisition, use or consumption that might satisfy a want or need”*. *“A product is branded when target buyers learn about the product and, as a result, store in their memory knowledge structures of the product”* (Keller, 1993; Krishnan, 1996; Kim and Hyun, 2011). *“These knowledge structures increase the value buyers obtain from the product by influencing their thinking, feeling and doing with respect to the product”* (Kim and Hyun, 2011).

Price

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“Price is the amount a consumer pays for the product or service, normally an economic cost” (McCarthy, 1960; Gordon, 2012). Even, consumers may use high price as a quality signal to achieve decision efficiency and also a low-priced product gives consumers more value in terms of the price (Huang and Sarigöllü, 2012). *“Price is the money charged for the product’s consumption; it can influence demand and is therefore important in managing capacity use by helping to balance load and is also a key positioning factor, influencing how the product, or brand, is thought of by the consumer relative to the competition”* (Kotler and Keller, 2006; Pomeroy et al, 2011).

Place

“Place represents the location where a product or service can be purchased, and can often be referred to as the distribution channel. This can include physical stores as well as virtual outlets online” (McCarthy, 1960; Gordon, 2012). A distribution system is a key external resource because it represents a significant corporate commitment to large numbers of independent companies whose business is distribution and to the particular markets they serve (Corey, 1991; Kotler et al, 1999).

Promotion

“Promotion represents the communications that marketers use in the marketplace including advertising, public relations, personal selling and sales promotion” (McCarthy, 1960; Gordon, 2012). There is an increase in online communications and interactive sales promotions, while growth in the use of social media is also assisting relationship building (Belz and Peattie, 2009; Pomeroy et al, 2011).

Previous Studies

Kotler et al (1999) highlighted four marketing mixes and 26 variables. A study by Mitchell et al (1998) proved that product strategies are much more standardised compared to promotion, distribution and price are more localised.

Jagpal and Brick (1982) studied on how advertising and personal selling influence price-sensitivity, the interaction between advertising and personal selling and the relationship between sales and the return earned in the capital markets. A study showed that if advertising and personal selling are complementary, advertising decreases if increased advertising and increased personal selling decreases price-sensitivity. However, if advertising and personal selling are substitutes, then advertising decreases if increased advertising decreases price-sensitivity but increased personal selling increases price-sensitivity.

Kim and Hyun (2001) developed a model to examine the relationships among marketing-mix efforts (channel performance, value-oriented price, promotion, and after-sales service), corporate image, three dimensions of brand equity (brand awareness with associations, perceived quality, and brand loyalty), and market performance. They have tested this model in the context of a Korean IT software sector. All marketing-mix efforts positively affect the overall value of brand equity, which is a proxy of market performance, via the three dimensions of brand equity. Secondly, corporate image mediates the effect of the marketing-mix efforts on the three dimensions of brand equity.

Powers and Loyka (2010)’s research identified the extent to which individual marketing mix elements are adapted for international markets and how company,

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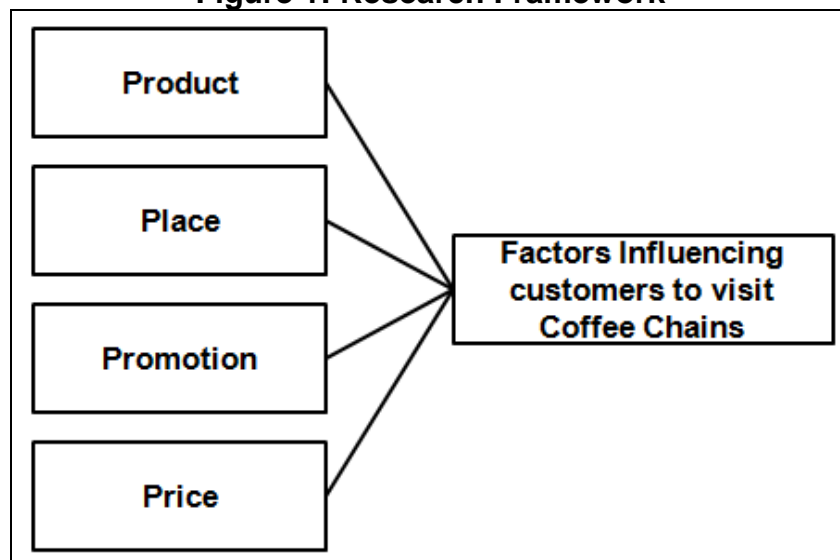
industry, and market factors influence the level of adaptation. The results indicated that adaptation is greatest for distribution, followed by price, promotion, and product. Product adaptation was influenced by market factors, price adaptation is influenced by market and industry factors, promotion adaptation was influenced by market factors, and distribution adaptation is influenced by company factors.

3. Methodology

All primary data were collected using self-administered questionnaire designed to serve the purpose of the research objectives. Overall, 300 self-administered questionnaires were sent to the coffee lovers in Malaysia, either through face-to-face or an online. In terms of face-to-face, respondents were selected randomly. 250 questionnaires were returned. In total, 240 valid samples were used in this analysis. 10 invalid or uncompleted questionnaires have been removed. The total sample is considered adequate. This is supported by some literatures. Malhotra (1999) suggested that the minimum sample size to solve research problems is at least 200 samples. Meanwhile, Hill et al (1999) suggested that the minimum overall sample size should be 200 and the minimum size of each segment is 50.

First part of the questionnaire is based on demographics and second part of the questionnaire is based on 5-points Likert Scale: (1) strongly disagree, (2) agree, (3) neither agree nor disagree, (4) agree, and (5) strongly agree. Questionnaire design was mainly based on four factors of the marketing mix: product, place, promotion and price (see Figure 1). The second part of the questionnaire design is mainly based on Kotler et al's (1999) four factors and 26 variables.

Figure 1: Research Framework



SPSS was used to analyse frequency, mean scores, reliability and factor analysis. To demonstrate the validity of the study, the reliability must be at least 0.70 (Nunnally, 1978) and above and only variable exceeds 0.30 (Hair et al, 1998) will be selected for factor analysis. Then, Amos was used to test the model fitness.

4. Findings

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In total, 240 valid samples were obtained during the period of this study. For the age group analysis, 133 respondents or 55.4% were aged 20 to 30. The rests were between 31-40, which were 66 respondents, or 26.3%, and also aged 20 and below that were 44 respondents, or 18.3%. By comparison, the total samples of male and female were quite balanced. This can be seen from the percentage obtained for male was 49.2%, while for female was 50.8%. Most of the respondents were earning RM2500 and below. A total of 122 respondents or 50.8% have been obtained from this group. The rests were earning between RM2501 - RM3500 (70 respondents or 29.2%), RM4501 and above (25 respondents or 10.4%), and RM3501 - RM4500 (23 respondents or 9.6%). A total of 97 respondents or 40.4% completed a secondary-school level. While 70 respondents or 29.2% had a first degree, and the remaining of respondents hold a certificate or diploma (68 respondents or 28.3%) and postgraduate (5 respondents or 2.1%) (See Table 1).

Table 1: Demographics

	Frequency	Percept
Age		
Under 20	44	18.3
20-30	133	55.4
31-40	63	26.3
Total	240	100.0
Gender		
Male	118	49.2
Female	122	50.8
Total	240	100.0
Monthly income		
RM2500 and below	122	50.8
RM2501 - RM3,500	70	29.2
RM3501 - RM4,500	23	9.6
RM4501 and above	25	10.4
Total	240	100.0
Education level		
Secondary	97	40.4
Certificate/ Diploma	68	28.3
First Degree	70	29.2
Postgraduate	5	2.1
Total	240	100.0

Among the coffee chain to be the top choice among respondents was Starbucks. This can be referred from the statistics obtained. A total of 168 respondents or 70% have been choosing Starbucks compared to other brands. Other choices were Coffee Bean (54 respondents or 22.5%) and San Francisco (7 respondents or 2.9%). 11 respondents or 4.6% were also expressed other preferred brands (see Table 2).

Table 2: Most Favoured Coffee Chain

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	Frequency	Percept
San Francisco	7	2.9
Coffee Bean	54	22.5
Other	11	4.6
Starbucks	168	70.0
Total	240	100.0

Number of literatures, examples DeVellis (1991) and DeVon et al. (2007) has suggested that an acceptable for Cronbach's alpha is 0.70. The analysis of this data shows that the Cronbach's alpha is 0.897, which is at the level of acceptable value (see Table 3).

Table 3: Reliability Statistics

Cronbach's Alpha	N of Items
.893	19

The results of the final four factors of the marketing mix according to the Principal Axis factoring with Varimax rotation and the internal consistency of each factor. The cut-off value of the factor loading was 0.30. Thus, only 19 variables have been selected for this research (see Table 4).

Seven variables of product have been included in this research, which were feature (0.678), variety (0.620), brand (0.615), size (0.579), packaging (0.523), quality (0.514), and flexibility (0.479). For promotion, all five variables (online marketing (0.659), sales promotions (0.650), public relations (0.606), direct marketing (0.555), and advertisement (0.543)) have been included in this study. For place, channel (0.592), convenience (0.540), coverage (0.500), inventory (0.495), and location (0.398) have been included in this study. Finally, only two variables have been exceeding 0.30, promotion price (0.490) and discount price (0.378).

Table 4: Factor Analysis

	Product	Promotion	Place	Price

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Feature	.678			
Variety	.620			
Brand	.615			
Size	.579			
Packaging	.523			
Quality	.514			
Flexibility	.479			
Online marketing		.659		
Sales promotions		.650		
Public relations		.606		
Direct marketing		.555		
Advertisement		.543		
Channel			.592	
Convenience			.540	
Coverage			.500	
Inventory			.495	
Location			.398	
Promotion price				.490
Discount price				.378

Even P-value is less than 0.50, which is considered as not a good-fit model, however, this study has found that GFI, AGFI, CFI, as well as RMR and RMSEA are can be considered as at the acceptable value. The recommended value for GFI (.887 – rounded to 0.9), AGFI (.855 – rounded to 0.90) and CFI (.908) are 0.90 and RMR (.056) and RMSEA (.062) are less than 0.08 (see Table 5).

Table 5: Fitness of Model

Absolute Measures	Fit	Recommended values	Results	Decisions
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Chi-square (X^2)	The lower the better	285.754	
Df		148	
X^2 P-level	≥ 0.05	< 0.001	Not fit
GFI	≥ 0.90	.887	Fit
RMR	< 0.08	.056	Fit
RMSEA	< 0.08	.062	Fit
Incremental Measures	Fit		
Independent model X^2		1674.550	
Independent model df		171	
AGFI	≥ 0.90	.855	Fit
NFI	≥ 0.90	.829	Not fit
Parsimonious Measures	Fit		
Normed X^2 (X^2/df)	$1 < X^2/df < 2$	1.931	Fit
PNFI	≥ 0.50	.718	Fit
AIC	The higher the better	369.754	
CFI	≥ 0.90	.908	Fit

Overall, all the factors and variables are acceptable. This can be seen from the mean scores. All mean scores are above 2.50. All these factors and variables are above 3.0, except for advertisement variable. Product is the highest mean scores compared with other factors. Mean score for the product is 3.358 compared with the mean score for place is only 3.241, price is 3.179 and promotion is 3.072 (see Table 6).

Quality of the product is the most important variable compared to other product variables. This can be referred to the mean score of 3.613. The lowest mean score in the product factor is variety (3.229). Surprisingly, for promotion, advertising (2.963) is the lowest compared with other four variables. Overall of respondents believed that sales promotions and direct marketing are two most important variables. Both mean scores are 3.133. In terms of place, convenience (3.287) is the main reason why respondents have visited the coffee chain in Malaysia. The other reasons are coverage (3.267), location (3.263), logistic (3.242), and channel (3.146). In terms of price, respondents are concerned on promotion price (3.279) when they are planning to visit coffee chain. This is followed by discount price (3.079). Overall, all 19 variables are very important in terms of influencing customers to visit coffee chain.

Table 6: Descriptive Statistics

	Mean	Std. Deviation
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Product	3.358	.7030
Feature	3.317	.9100
Variety	3.229	.8688
Brand	3.321	1.0983
Size	3.325	.9521
Packaging	3.396	1.0297
Quality	3.613	.9830
Flexibility	3.304	.9347
Promotion	3.072	.7770
Online marketing	3.100	1.0219
Sales promotions	3.133	1.0057
Public relations	3.033	1.0099
Direct marketing	3.133	1.0505
Advertisement	2.963	1.0322
Place	3.241	.6738
Channel	3.146	.9722
Convenience	3.287	.9488
Coverage	3.267	.9744
Logistic	3.242	1.0785
Location	3.263	.9339
Price	3.179	.8515
Promotion price	3.279	1.0945
Discount price	3.079	1.0775

The coefficient correlation of -1.00 or $+1.00$ indicates perfect correlation (Mason et al, 1999). The analyses of coefficient correlation for all factors were positive correlation and it is significant at 0.01 level. The correlation of all factors can be summarised into two: between moderate positive correlation (0.50) and strong positive correlation (0.75); and between weak positive correlation (0.25) and moderate positive correlation (0.50) (see Table 7).

- Correlation between product and promotion, product and place: Between moderate positive correlation and strong positive correlation.
- Correlation between product and price: Between weak positive correlation and moderated positive correlation.
- Correlation between promotion and place: Between moderate positive correlation and strong positive correlation.
- Correlation between promotion and price: Between weak positive correlation and moderated positive correlation.
- Correlation between place and price: Between weak positive correlation and moderated positive correlation.

Table 7: Correlations

	Product	Promotion	Place	Price
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Product	Pearson Correlation	1	.587**	.594**	.314**
	Sig. (2-tailed)		.000	.000	.000
	N	240	240	240	240
Promotion	Pearson Correlation	.587**	1	.529**	.377**
	Sig. (2-tailed)	.000		.000	.000
	N	240	240	240	240
Place	Pearson Correlation	.594**	.529**	1	.293**
	Sig. (2-tailed)	.000	.000		.000
	N	240	240	240	240
Price	Pearson Correlation	.314**	.377**	.293**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	240	240	240	240

** . Correlation is significant at the 0.01 level (2-tailed).

Overall of the results of this study have shown that the marketing mix can be characterised by four different but equally important factors. Even, as mentioned by Kellerman et al (1995), a deficiency in any one can mean failure. As discussed in the literature review, “*price is the money charged for the product’s consumption; it can influence demand and is therefore important in managing capacity use by helping to balance load and is also a key positioning factor, influencing how the product, or brand, is thought of by the consumer relative to the competition*” (Kotler and Keller, 2006; Pomeroy et al, 2011). The relation between product and place can be realised by “*where a product or service can be purchased, and can often be referred to as the distribution channel*” (McCarthy, 1960; Gordon, 2012). This study also shows that there was a significant continuity and the relationship between promotion and place. It is clear that, “*promotion represents the communications that marketers use in the marketplace [place] including advertising, public relations, personal selling and sales promotion*” (McCarthy, 1960; Gordon, 2012).

5. Conclusion

The analysis of the research model can be considered as not a fully fit model. This can be referred to the P-value is less than 0.05, and NFI is less than 0.90 as recommended. However, some measurements such as GFI, AGFI and CFI are about 0.90, and RMR and RMSEA are below 0.08. However, it is clear that the marketing mix has influenced customers, especially the younger generation to visit the coffee chain in Malaysia. This can be referred to the mean scores for all factors and variables of the marketing mix were more than 2.50 out of 5.0.

Due to the very high costs related to the distribution of questionnaires, most of the distribution works were done in the Klang Valley, especially shopping malls around Kuala Lumpur. In the future, further study will be carried out to identify the best-fit model can be used and to be applied in the coffee chains in Malaysia.

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