# WHAT DRIVES EXPERIENTIAL LOYALTY? A CASE STUDY OF COFFEE CHAIN STORES IN BANGKOK

Thananporn Sethjinda[1], Wongphun Laothumthut[1]
[1]Graduate School of Business, Assumption University of Thailand,
592/3, Ramkhamhaeng 24 Rd., Hua Mak,
Bangkok Thailand, 10240

## ABSTRACT

Over the past 20 years, the rapid expansion of coffee chain stores has transformed the Thai coffee consumption landscape with coffee stores penetrating mass market to high end specialty and premium segments. This study aims to identify key components of customers' experience and how it relates to customers' loyalty among customers of coffee chains in Bangkok Metropolitan area. Based on the conceptual framework of Wu (2017), this study examined the drivers of experiential quality (EQ), namely interaction quality (IQ), physical environment quality (PEQ), outcome quality (OQ) and affective quality (AQ) and the relationship among Experiential Quality, experiential satisfaction (ES), perceived value (PV), experiential trust (ET) and experiential loyalty (EL). Gender was added as a control variable to identify whether there was a difference between male and female customers on experiential loyalty. An on-line self-administered questionnaire was distributed to target respondents, using convenience sampling methods during August-October 2018. Based on the valid response of 408, data was analyzed using Pearson's correlation, Multiple Linear Regression Analysis (MLR) and Simple Linear Regression Analysis (SLR) were used to test the hypothesized relationship of all variables and One-way ANOVA was performed to test the mean differences. Results showed that physical environment quality and affective quality were the key determinants of experiential quality among coffee chain stores in Bangkok. Additionally, experiential quality was the antecedent for experiential satisfaction, perceived value and experiential trust. In turn, these three variables namely experiential satisfaction, perceived value and experiential trust were the antecedents of experiential loyalty. Results of this study renders support coffee consumption as lifestyles experiences and contributes academically to the linkages of experiential quality with experiential loyalty through experiential satisfaction, experiential trust and perceived value.

**Keywords:** Coffee chain store, Customers' loyalty, Experiential loyalty, Experientail quality, Physical environment quality, Affective quality, Interaction quality, Outcome quality, Bangkok Metropolitan

## Introduction

Around the world, coffee chain stores have enjoyed rapid expansion. During 2010-2018, the worldwide revenue of roasted coffee industry grew from US $171,555 million to US $286,297 million, representing a compound annual growth rate of 8 per cent per year. Additionally, the global coffee market was expected to expand at an annual rate of 5.8% during 2019 to 2023. Although the majority of revenue could be attributed to developed markets such as US., Brazil, Japan, Canada and Germany (Statista, 2019), the influence of western coffee cultures has been dominating in many markets in Asia, creating growing and highly competitive coffee chain industries. In Thailand, for instance, there had been 8,025 coffee shops in operation as of 2018 with the overall market of THB 36 billion baht or approximately US $ 1 billion (Jitpleecheep & Hicks, 2019).

Twenty years ago, the coffee chain industry in Thailand started with Black Canyon (Udomkit & Mathews, 2005). Today, the market is dominated by Amazon Coffee with existing outlets of over 2,123 stores nationwide, Starbucks with its predominance in the premium segment in 336 locations, and other chains such as Doi Chang, Coffee World, True Coffee and All Café. Despite the highly crowded landscape, chain operators were confident in the growth potential, as coffee consumption in Thailand had grown at an average rate of 15% per year.

In fact, coffee chain outlets are expected to witness further expansion in all segments. In the premium segment, Starbucks aimed to open an average of 30 stores every year with the target of 600 stores by 2022, with several niche providers such as Roots and Bridge Art Space entering the segment with unique value propositions (Jitpleecheep & Hicks, 2019). In the mass market segment, All Café, a subsidiary of C.P. group with the largest convenient store network nationwide, were aggressively adding coffee corner in its 7-11 convenience stores, targeting to reach 5,000 outlets by 2018. Similarly, Family Mart had recently introduced freshly brewed Japanese coffee corner operated by McThai (Marketeer, 2018). In short, competition in Thai coffee chain businesses are expected to intensify at all levels for at least the next 3-5 years.

With the phenomenal influence of western coffee cultures, researchers have been keen to develop understandings on customers' behaviors and determinants of success in today's context of modern lifestyles, driven by pop-culture, convenience, comfort and mass consumption. In the past, studies on coffee consumption prior to 1990s focused mainly on the issue of sustainability and ethical consumption, such as sustainability labelling and fair trade. In terms of consumption behaviors, researchers viewed coffee as a type of beverages, and focused on consumers' reasons and preferences, economic attributes, context of consumption and socio-demographic factors (Samoggia & Riedel, 2018). In the late 1990s and the early 2000s, researchers in marketing and hospitality industry recognized the emergence of experiential economies as they observed that companies no longer focused on selling products or providing services alone. Rather, the change in social environment had contributed to the shift in consumers' needs beyond necessity and usefulness, arguing that indulgence and amusement have developed into the consumers' world of feeling and experiences (Kilian, 2009).

From a broader perspective, Pine and Gilmore (1999) put forth the concept of experiential economy, arguing that experiences were distinct economic values which have been taken together with services. By viewing experiences as a distinct construct, companies

could strategize experience design principles around their traditional product or services offering towards creating differentiated economic values. Since then, there have been continual interests in various aspects of experiential economy such as strategic components of experiential marketing (Schmitt, 1999), experiential marketing and brand experience (Kilian, 2009), experiential marketing and ultrafine dining experiences (Basil & Basil, 2009), experiential marketing and hospitality services (Alagöza & Ekici, 2014; LaTour, Carbone, & Goan, 2009; Knobloch, Robertson, & Atiken, 2017), to name a few.

Resonating with this trend, academic researches on coffee and coffee consumption have also shifted towards the consumption of specialty coffee and coffee house brand as lifestyle experiences (Samoggia & Riedel, 2018). In particular, researchers observe that customers' experience in coffee chain stores seem to play an equally important role in influencing customers' behavior as the quality of coffee as product offering. Several studies suggest that consumers spend time at coffee chain stores not just for coffee consumption, but rather for escaping the routines (Alan, Kabaday, & Yilmaz, 2016), the feeling of being at home away from home, being part of a highly spirited environment (Tumanan & Lansangan, 2012), enjoying the new environment and ambience of relaxation (Kang, Tang, Lee, & Bosselman, 2012), social interactions, business negotiation (Kim & Jang, 2014) and being associated with social leaders or being associated with the image of western cultures (Kang et al., 2012).

With regards to customers' experiences in coffee chain stores, researchers have examined the interrelationship among the constituents of customers' experiences (Alan et al., 2016) and the mechanism through which customers' experience could lead to repeated actions at coffee chain stores such as purchase intention

(Yu & Fang, 2009) or brand loyalty (Han, Nguyen, Song, Chua, Lee, & Kim, 2018; Wu, 2017), building on key constructs in service marketing namely service quality, perceived value, customer satisfaction and customer loyalty (Gallarza, Moreno, Chiappa, & Saura, 2016).

For instance, Alan et al. (2016) posited that in-store related cognition such as product attributes, atmospherics, perception of merchandise and service quality and experience related cognition such as escape, entertainment, efficiency, economic value and excellence led to positive or negative emotions, which in turn influenced store loyalty. Similarly, Han et al. (2018) hypothesized that cognitive drivers, including brand awareness, perceived quality, brand image and perceived value influenced the affective drivers, leading to brand satisfaction, relationship commitment and brand loyalty. Their study of 379 consumers in Korean coffee chain stores confirmed the hypothesized relationship. Finally, Wu (2017) proposed that experiential quality which consisted of four components, namely interaction quality, physical environment quality, outcome quality and affective quality influenced perceived value, experiential satisfaction and experiential trust, with the latter two components leading to experiential loyalty. In short, international research increasingly focused on multi-dimensional framework to develop understanding on intangible constructs surrounding customers' experiences and their linkages to constructs in consumers' behavior, particularly customer's loyalty.

In Thailand, academic research on coffee chain stores or café businesses have been accumulating among lobal publications as well as in international ones. Most of the locally published academic works examined consumers' behaviors and perception of a particular chain (Zhang & Prasongsukarn, 2017), specific types of café within particular

locations and target segments and attributes of chain services such as price promotion, preferred timing of consumption, cleanliness (Saengsarun, 2007; Jitrapirom & Suksri, 2015; Phetniam, 2015). These studies identified demographic profiles of the target respondents, and factors influencing their decision in café selection. Overall, findings suggested that target customers placed more weights on convenience of store location, product attributes, service process, ambience and atmospheric elements of stores and promotion (Saengsarun, 2007; Jitrapirom & Suksri, 2015; Phetniam, 2015). In terms of repurchase intention, Zhang and Prasongsukarn (2017) found that price promotion was the main driver of customers' perception of food quality and service quality, which in turn influenced customer satisfaction and repurchase intention.

Broader analysis of consumers' behaviors in coffee chain stores were noted in the work published in international journals by Udomkit and Mathews (2015) and Tangsupwattana and Liu (2018). More specifically, Udomkit and Mathews (2015) examined how the correlation between consumers' personality and the brand personality influenced their purchase decision. They found a significant correlation among consumers' personalities and brand personalities on all five dimensions namely sincerity, excitement, competence, sophistication and ruggedness. However, only competence was statistically significant in influencing the purchase decision. For the work of Tangsupwattana and Liu (2018), the relationship among emotional experience of generation Y, symbolic consumption and brand loyalty was investigated. They hypothesized that the emotional experience influenced brand loyalty through three elements of symbolic consumptions namely actual self-concept, idea self-concept and lifestyles. In turn, symbolic consumptions had an impact

on brand loyalty. The results of their research suggested that emotion experience should fit the perception of the customers' related to the brand, and that both self-concept and lifestyles would most likely have a positive influence on brand loyalty.

## Objectives of the Study

From the preceding academic works in Thailand, the internationally published works are heading towards identifying customers' individual traits such personality or self-concept, which address the trend towards individual service customization. However, the locally published works tend to place less emphasis on customers' experiences and the relationship with other widely studied constructs such as perceived value, customers' satisfaction or customers' loyalty. Furthermore, the majority of the study focused on specific shop or brand, allowing rooms for further study to be conducted across various coffee chains. Hence, there is a need to establish a broad conceptual framework to understand multiple aspect of customers' experiences and the mechanism through which such experiences are connected to loyalty. More specifically, this study aims to address the following questions:

1. What are key components of experiences in the coffee chain businesses?
2. How does customer's experience connect to loyalty towards a particular chain?
3. Is there any difference between the experiences of male and female customers to repeat visit in a particular coffee chain?

This study proposes to contribute to the literatures on customers' experience in the context of coffee chain stores by examining the preceding questions with the conceptual framework by Wu (2017). The model hypothesizes that the influence of experiential quality towards perceived value and experiential

satisfaction. In turn, these two components are hypothesized to influence experiential loyalty directly and indirectly through experiential trust. The proposed conceptual framework is portrayed in figure 1, with each variable discussed in the literature review.
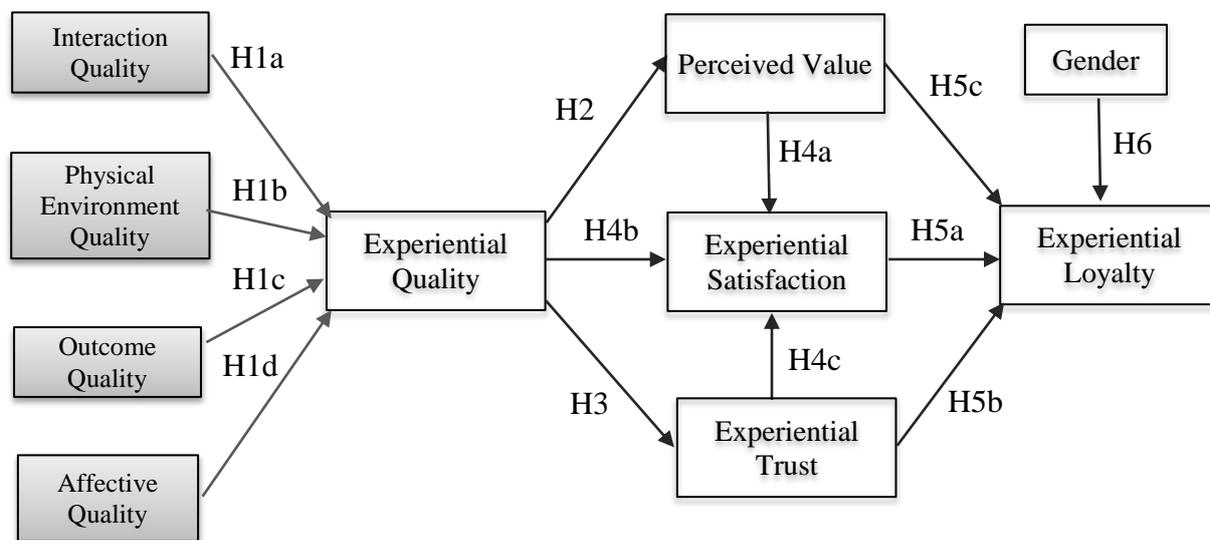


Figure 1 Conceptual Framework

**Literature Review**
**Experiential quality (EQ):**
In literature of hospitality and service marketing, service quality is often cited as one of the key elements of success in various types of businesses. However, a few researchers argue that service quality is often viewed as performance of services and measured from the service providers' perspective (Cole & Scott, 2004; Lemke, Clarke & Wilson, 2011), and that services assessed from the customers' perspective should be measured instead. Along this line of thought, the concept of experiential quality has been proposed as an alternative measurement of customers' assessment of services they received (Lemke et al., 2011; Wu & Liang, 2009). By definition, experiential quality is referred to as consumers' subjective response or judgement initiated by them on service quality they experienced during the comprehensive direct and indirect encounters with the services rendered (Wu, 2017; Lemke et al.,

2011; Hussein, 2018). As the customers go through the entire process of purchase journey, such experience influences the customers' cognitive, emotional, behavioral, sensory and social responses in all stages and through various points of contacts, resulting in experience quality (Lemon & Verhoef, 2016).

To understand customers' assessment of experiential quality, Brady and Cronin (2001) proposed a hierarchical service quality model proposing three primary dimensions of experiential quality namely interaction quality, physical environment quality and outcome quality and further suggested that the model should be extended to incorporate measures in the context of industry and services tested. In the context of coffee chain store, Wu (2017) proposed affective quality as the fourth dimension to experiential quality. Each of this component is discussed below.

**Interaction quality (IQ):**
The concept behind interaction quality (IQ) is based on the contact framework (Mersha,

1990). Customers' encounters with the service systems in the form of face-to-face or remote interactions could be identified as high contact or low contact based on the degree of interaction and service customization to the customers. According to Brady and Cronin (2001), interaction quality refers to the customers' perception of the quality of their interactions with the representatives of the service providers on attitudes behavior, expertise and problem-solving, during the service delivery. One possible explanation on the influence of interaction quality is based on mimicking effect (Folkes & Patrick, 2003). According to Folkes and Patrick (2003), the mimic effect occurs when the customers unconsciously mirror the behavior of the service provider. More specifically, if the service representatives appear to be doing their job well and satisfied, then it is likely that the customers would be satisfied in that interaction. Therefore, it is hypothesized that

H1a: Interaction quality (IQ) has a positive influence on experiential quality.

**Physical environment quality (PEQ):**

Physical environment quality (PEQ) refers to a constructed facility, encompassing both indoor and outdoor atmospherics, where service delivery occurs (Wu, 2017; Han, Moon, & Hun, 2019). More specifically, physical environment quality covers a range of factors including atmosphere and aesthetics, cleanliness, temperature, lighting, facility, design and location (Wu, 2013). Researchers in hospitality, retail and marketing acknowledge the influence of physical environment on customers' evaluation process (Bitner, 1992) and various aspect of consumers' behavior in a wide range of service setting. For example, store design, store atmosphere and physical attractiveness have been found to influence store patronage intentions and stimulate affective reactions in customers based on

retail settings (Darden, Erdem, & Darden, 1983). In restaurant and hospitality settings, studies showed that physical environment quality significantly influenced customers' ratings of their meals, ordering, purchases and length of stay (Walter & Edvardsson, 2012), revisit intention, purchase behavior (Baker, Parasuraman, Grewal, & Voss, 2002) and perception of brand image (Booms & Bitners, 1982; Nguyen & Leblanc, 2002). Hence, it is hypothesized that

H1b: Physical environment quality (PEQ) has a positive influence on experiential quality.

**Outcome quality (OQ):**

According to Grönroos (1985), service outcome is associated with what customers actually or eventually receive after the service encounter process, whereas outcome quality, a closely linked term, refers to customers' perception of favorability (Hui, Zhoa, Fan, & Au, 2004) and satisfaction towards the outcome of the service act (Wu, 2017). Earlier literature in service quality conceptualized service quality from the perspective of process quality attributes, which include reliability, responsiveness, assurance, empathy and tangibles (Cronin & Taylor, 1992). Researchers argue that measurement tools based on process quality alone could not adequately explain overall service quality, behavioral intention and satisfaction of customers (Powpaka, 1996), leading to potential model misspecification and resulting in low-predictive validity (Richard & Allaway, 1993). They posited that service quality encompassed two key components, namely process quality and outcome quality, and inclusion of the latter resulted in higher explanatory power and more accurate analyses (Richard & Allaway, 1993) of the overall service quality assessed by consumers particularly in search or experience related industries such as restaurants, movies, concerts, trains, subways and hair salons (Powpaka, 1996). Therefore, the following hypothesis is proposed

H1c: Outcome Quality (OQ) has a positive influence on experiential quality.

**Affective quality (AQ):**

Affective quality (AQ) refers to the customers' emotional interpretation and reaction created in response to the impression created by all stimuli at any one time (Wu, 2017). Such emotional interpretation and reaction have been conceptualized and operationalized by Russell (1980), who proposed a spatial model in which eight affective components could be defined as a combination of pleasure and arousal. Researchers in consumer behavior has recognized the importance of customers' affective responses during their interaction in the service setting in explaining consumers' satisfaction and subsequent behaviors for hedonic products and services (Russell & Pratt, 1980) such as vacations and fine-dining (Hirschman & Holbrook, 1982), since such services could not be reduced to concrete and multi-attribute evaluations (Enrique, Mattila, & Andreu, 2008). Furthermore, Duman and Mattila (2005) studied customers' emotional experiences and found that affective responses were key determinants of the perceived value of cruise services. Similarly, Slåtten, Mehmetoglu, Svensson, and Sværi (2009) found that the feeling of joy experienced by customers in the winter park had a strong relationship with customers' loyalty, underlining the importance of understanding the customers' emotional interpretation and reaction created through impression during service experience. Therefore, it is hypothesized that.

H1d: Affective Quality (AQ) has a positive influence on Experiential Quality.

**The relationship among experiential quality, perceived values, experiential satisfaction, experiential trust and experiential loyalty**

To understand the connection between experiential quality and experiential loyalty, Wu (2017) referred to existing empirical results established in retail and hospitality and tourism research. According to literature review conducted by Lai, Hitchcock, Yang and Lu (2018), research works on consequences of service quality during 1984-1993 established the relationship among quality, satisfaction and customers' loyalty across various service contexts such as retails, restaurants, to name a few. Over time, this quality-satisfaction-loyalty model has been extended with other variables such as value, image, trust, commitment, employees and brands. Following the empirically research relationship, this study posits that experiential quality has a direct influence on experiential satisfaction, as well as an indirect influence on experiential satisfaction through the mediating roles of perceived value and experiential trust. Furthermore, this study examines the influence of experiential satisfaction and experiential trust towards customers' loyalty. Each of these variables are discussed below.

**Perceived value (PV):**

Perceived value is broadly defined as the customers' overall assessment of the results or benefits received in relation to total costs which may include the price paid plus other costs associated with the purchase (McDougall & Levesque, 2000). It may also be viewed as a relative measure of the costs and other monetary aspects of services in relation to the particular offerings. Hence, in this context, perceived value refers to the consumers' overall assessment of what is received, relative to what is given (Zeithaml, 1988). In the context of service industries, the relationship between quality and perceived value has been examined and validated by numerous studies (Ladhari, Brun, & Morales, 2008). More specifically, perceived service quality has demonstrated a high positive correlation with perceived value as well as a significant positive influence on perceived value in hospitality services (Hartline & Jones, 1996), retail settings (Baker et al., 2002), six services

industries namely spectator sports, participation sports, entertainment, health care, long-distance carriers and fast food (Cronin, Brady, Brand, Hightower, & Shemwell, 1997). Therefore, it is hypothesized that

H2: Experiential Quality (EQ) has a positive relationship with Perceived value (PV).

**Experiential trust (ET):**

Trust has long been an important concept in business discipline and recognized as one of the most essential factors in building good rapports and in establishing a long-term relationship between customers and organizations (Ribbink, Riel, Liljander, & Streukens, 2004). During customers' product purchase or service journey, researchers suggest that customers will look for indication of quality to reduce the level of uncertainty. When quality has been identified and established, Coulter and Coulter (2002) argue that customers' comfort level would be raised, leading to declining perception of risk and contributing to the establishment of trust. From the empirical perspective, the importance of experiential quality and experiential trust has been validated in a wide range of studies ranging from electronic commerce (Grönroos, Heinonen, Isoniemi, & Lindholm, 2000), healthcare (Lien, Wu, Chen, & Wang, 2014), pharmacies (Perepelkin & Di Zhang, 2014). In the context of coffee chain store, experiential trust is a form of trust that is earned through experiences of the services. Furthermore, Wu (2017) purported that when the customers perceived the organizations to be reliable, responsive and empathetic, they would be inclined to view the service provider as having a high integrity, which served as the foundation for experiential trust to be formed. Hence, it is proposed that

H3: Experiential quality (EQ) has a positive relationship with Experiential trust (ET).

**Experiential satisfaction (ES):**

Satisfaction is one of the core concepts in consumer behaviors, marketing and businesses, which hold that satisfying customer needs is the key to developing customer's loyalty (Hsin & Wang, 2011). By definition, customer satisfaction refers to the state of fulfillment and customer judgement of the fulfilled state (Oliver, 1997), while Kotler (2000) described satisfaction as the feeling of contentment or disappointment as a result of comparing the products' perceived performance in relation to their expectations. It could also be associated with the result of "things not going wrong", "fulfilling the needs and desires of consumers", "pleasure", "delight", or "evaluation of the quality of goods and services" (Fečiková, 2004). In the context of coffee chain stores, experiential satisfaction refers to the emotional reaction to the satisfaction or dissatisfaction of consumers based on service journey of specific transactions (Bigne, Andreu, & Gnoth, 2005).

In marketing and consumer behavior research, satisfaction could be formed through customers' assessment of services against their expectation. According to the expectancy-disconfirmation theory, customer satisfaction occurred if the perceived service quality was superior to their expectation (Oliver, 1980). In this respect, various researchers contented that perceived service quality was the primary determinants of customer satisfaction. For instance, Kivela and John (1999) proposed a comprehensive model for dining satisfaction and return patronage and found that the possibility of return patronage was dependent upon customers' satisfaction with impression, service quality, food quality, ambience and comfort. Other researchers also reported that perceived service quality had significant influence on dining satisfaction (Ladhari et al., 2008; Yuksel & Yusel, 2002). In addition to service quality, McDougall and Levesque

(2000) argued that perceived value should be included as an additional determinant to customer satisfaction in the service context. In their study of dentistry service, auto-service, restaurant and hair stylist, they found that perceived value was a significant determinant of customer satisfaction in line with previous works conducted by Grönroos (1985), Parasuraman, Berry, and Zeithaml (1991) and Dabholkar, Thorpe, and Rentz (1996).

In light of this evidence, it is hypothesized that

H4a: Perceived value (PV) has a positive influence on experiential satisfaction (ES).

H4b: Experiential quality (EQ) has a positive influence on experiential satisfaction (ES).

With respect to the relationship between experiential trust and experiential satisfaction, trust has been identified as a key variable in relationship marketing either between a buyer and a seller (Doney & Cannon, 1997; Ganesan, 1994; Ganesan & Hess, 1997; Morgan & Hunt, 1994) or between a customer and a provider (Garbarino & Johnson, 1999; Singh & Sirdeshmukh, 2000). In various service setting such as banking (Hoq, Sultana, & Amin, 2010), e-commerce (Shao Yeh & Li, 2009) and large service chain (Kantsperger & Kunz, 2010), trust has a significant impact on customer satisfaction and customer loyalty. More specifically, trust is considered important in the service sector as it reduces the perceived risk of the service outcome (Laroche, McDougall, Bergeron, & Yang, 2004). As the service provider delivered the service successfully in terms of reliability and acting in the best interest of the customer, the customer would be satisfied with the service performance and would be more likely to stay in the relationship (Garbarino & Johnson, 1999; Kantsperger & Kunz, 2010). Along this line of argument, the relationship between experiential trust

and experiential satisfaction is proposed as follows:

H4c: Experiential trust (ET) has a positive influence on experiential satisfaction (ES).

**Experiential loyalty (EL):**

According to Oliver (1999), loyalty refers to a deeply held commitment to repeat purchase of preferred products or to repatronize services of choices consistently in the future, leading to repetitive same-brand or same brand set purchasing or visits, regardless of other influences with the potential to trigger switching behaviors. Researchers and practitioners contend that loyal customers tend to spend more, advocate products or services and willingness to pay premium prices for products or services receive (Reichheld, 1996; Heskett, Sasser, & Schlesinger, 1997). In terms of conceptualization, customer loyalty has been commonly constructed as three behavioral metrics of positive word-of-mouth communication (Hartline & Jones, 1996; Mangold & Miller, 1999), WPM or maximum amount of money a customer is willing to spend on a product or service (Homburg, Koschate, & Hoyer, 2005) and RPI or the willingness to maintain the buyer-seller relationship (Vazquez-Casielles, Suarez-Alvarez, & Del Rio-Lanza, 2009).

From academics and practitioners' perspectives, the antecedents of customer loyalty have been extensively studied (Kandampully, Zhang, & Bilgihan, 2015). In the context of hospitality services, customer satisfaction, perceived value and customer trust have been established as the antecedents of customer loyalty and examined in various service settings (Choi & Kim, 2013; Cronin, Brady, & Hult, 2000), with a strong positive relationship (Ndubisi, 2007; Shahin & Rahim, 2014; Gallarza et al., 2016; Fornell, Johnson, Anderson, Cha, & Bryant, 1996; Santos & Basso, 2012; Ball, Simões, & Machás, 2004; Garbarino & Johnson, 1999), Therefore, the

relationship among perceived value, experiential trust, experiential satisfaction and experiential loyalty are hypothesized as follows:

H5a: Experiential satisfaction (ES) has a positive influence on experiential loyalty (EL).

H5b: Experiential trust has a positive influence on experiential loyalty (EL).

H5c: Perceived value (PV) has a positive influence on experiential loyalty (EL).

**Gender:**

Apart from the preceding variable to examine the relationship among experiential quality, perceived value, experiential trust, experiential satisfaction and experiential loyalty, this study proposed to identify whether there were any differences among male and female customers in the hypothesized model. The reason for including gender into the model is due to the mixed results on the role of gender, reported in the literature. Studies showed that women have a higher preference to consume caffeine compared to men and scored higher on importance of motives such as "habit", "social motives", "taste" and "symptom management". On the other hands, Penolazzi, Natale, Leone, and Russo (2012) show that daily caffeine intake was significantly higher for males, and that men consume more specialty coffees than women (Van der Merwe & Maree, 2016). Nevertheless, Arnot, Boxall, and Cash (2006) and Giacalone, Fosgaard, Steen, and Münchow (2016) did not find any significant differences between gender in relation to preference of coffee consumption in a consumer test. Similarly, mixed results are observed in locally reported studies in Thailand. Several studies of café in the provincial areas did not report any significant influence of genders towards coffee consumption or purchase intention (Saengrun, 2007; Jitrapirom & Sukri, 2015), whereas the results of premium coffee chain store in Bangkok showed that female was more likely to purchase from premium coffee chain store (Phetniam,

2015). Therefore, this study proposes to test gender as a control variable on experiential loyalty. The last hypothesis is proposed below.

H6: There is a significant difference between male and female in experiential loyalty.

## Methodology

### Questionnaire and pre-test

To develop the instrument for this study, the researchers adapted the measures for the constructs in the model, used in prior studies by Wu (2017). The questionnaires comprised six sections, with the first four sections, covering the statements of interaction quality, physical environment quality, outcome quality and affective quality. In the fifth section, questions relating to experiential quality, experiential satisfaction, perceived value, experiential trust and experiential loyalty were tested. For all sections, a five-point Likert-type scale ranging from 5 (strongly agree) to 1 (strongly disagree) was used. The last section collected demographic information such as age, income level, gender and education. To test the validity of the questionnaires, the pilot test was performed among 40 respondents prior to the test period.

## Sample Design and Data Collection

The survey questionnaire was targeted at residents of Bangkok Metropolitan with two screening criteria, including the six months minimum period of stay and a minimum of three repeat visits to the same coffee chain within the last three months (Suhud, Puter, & Wibowo, 2017). This study does not limit the responses to customers of one particular coffee chain as in the work of Wu (2017), in which the test was conducted among customers of Starbucks in Taiwan. By

extending the target group to other coffee chain, this study would be able to identify whether the proposed relationship would be applicable across the coffee chain stores. Due to limited time and manpower, the questionnaire was distributed online, using non-probability convenience sampling method. Target respondents were identified from the researchers' education network including friends from bachelor and master level and professional network in businesses and investment. Respondents were also asked to invite their friends in their network to participate in the survey. In total, the questionnaires were distributed to 606 target respondents. After screening the responses, only 408 responses could be used, reflecting the response rate of 67.3 percent.

## Data Analysis

Data Analysis was performed using SPSS. Firstly, Cronbach's Alpha was performed on the pilot questionnaires. Secondly, correlation matrix was run to test to relationship among research variables. Then, multiple regression and single regression were performed to test the hypothesized relationship among variables. Finally, one-way ANOVA was run to test the mean-difference between male and female respondents.

## Reliability Test

Cronbach's Alpha Coefficient was used to test the reliability and validity of the questionnaire used in the study. The results in Table 1 show that Cronbach's Alpha exceeds 0.7 for all questions, therefore confirming the validity of for each variable (Cronbach, 1951).

Table 1 Consistency of Scale Test (N = 40)

| Variable | Cronbach's Alpha |
|---|---|
| Interaction quality (IQ) | 0.880 |
| Physical environment quality (PEQ) | 0.880 |
| Outcome quality (OQ) | 0.906 |
| Affective quality (AQ) | 0.878 |
| Experiential quality (EQ) | 0.798 |
| Experiential satisfaction (ES) | 0.863 |
| Perceived value (PV) | 0.878 |
| Experiential trust (ET) | 0.893 |
| Experiential loyalty (EL) | 0.811 |

## Results

### Sample profile

The majority of the respondents was female, accounting for 58.3% of the respondents, while the remaining 41.7% were male. In terms of age, over 35% of the respondents aged between 31 to 40 years old, followed by 21-30 (26.2%), 41-50 (22.8%), and more than 50 years old (15.7%) respectively. With regards to monthly income, 43.9% of the respondents earned higher than THB 65,000 baht per month (USD 2,100.-). When asked about the coffee chain that visited more than three times during the past 6 months, Starbucks topped the list, accounting for over 51% of the total responses. The remaining responses were fragmented among Café Amazon (16.20%), Dean & Deluca (5.60%), Segafredo (3.40%), True coffee (2.50%), Black Canyon (2.2%) and other brands (19.10%). When scoping the respondents who visited branded coffee chain stores, over 60% of the respondents paid repeated visits to international brands over the past three months. Overall, the sample was balanced between gender and aligned with the monthly income in the upper middle range and age group in the mid-to-senior level working profile in line

with the broad customer segments for coffee chain and premium segment.

Table 2 Demographic Profile of the Sample (n = 408)

| Age | No. of Responses | % |
|---|---|---|
| Below 20 | 1 | 0.25% |
| 21-30 | 107 | 26.20% |
| 31-40 | 143 | 35.05% |
| 41-50 | 93 | 22.80% |
| More than 50 | 64 | 15.70% |
| **Monthly income** | | |
| Below 15,000 | 16 | 3.9% |
| 15,001-25,000 | 48 | 11.8% |
| 25,001-35,000 | 39 | 9.6% |
| 35,001-45,000 | 49 | 12.0% |
| 45,001-55,000 | 39 | 9.5% |
| 55,001-65,000 | 38 | 9.3% |
| More than 65,000 | 179 | 43.9% |
| **What brand of coffee chain store you visit regularly?** | | |
| Starbucks | 208 | 51.00% |
| Cafe Amazon | 66 | 16.20% |
| DEAN&DELUCA | 23 | 5.60% |
| Segafredo | 14 | 3.40% |
| True coffee | 10 | 2.50% |
| Black Canyon | 9 | 2.20% |
| Other Brands* | 78 | 19.10% |
| **Gender** | | |
| Female | 238 | 58.3% |
| Male | 170 | 41.7% |

Note *Recorded responses for other brands include Au Bon Pain, Blue Cup Coffee, The Coffee Club, Doi Chang Coffee, Coffee World, Coffee Bean and Tea Leaf, McCafé, Mezzo, Tom N Toms Coffee, Gloria Jean's Coffees, Wawee Coffee

**Descriptive Statistics**

Table 3 presents the descriptive information about the measurement items. A 5-point Likert scale was used (1 = strongly disagree to 5 = strongly agree). The items mean were between 3.03 and 4.05, and the standard deviation for most variables was below 1, suggesting that the values in the statistical dataset are close to the mean of the dataset.

Table 3 Descriptive information on measurements

| Construct | Items | | Mean | SD |
|---|---|---|---|---|
| Interactive quality | IQ1 | Overall, I would say the quality of my interaction with the employees is excellent | 4.05 | 0.77 |
| | IQ2 | The interaction I have with the employees is of a high standard | 3.89 | 0.79 |
| | IQ3 | I feel good about the interaction I have with the employees at the coffee chain store | 3.89 | 0.83 |
| Physical environment quality | PEQ1 | I believe that the physical environment is excellent | 4.04 | 0.79 |
| | PEQ2 | The physical environment is of a high standard | 4.01 | 0.81 |
| | PEQ3 | I am impressed with the quality of the coffee chain store's physical environment | 3.94 | 0.85 |
| Outcome quality | OQ1 | I feel good about what the employees provide to their customers | 3.93 | 0.8 |
| | OQ2 | I always have an excellent experience while staying at the coffee chain store | 3.74 | 0.89 |
| | OQ3 | The quality of service I receive is excellent | 3.9 | 0.81 |
| Affective quality | AQ1 | 4.1 Staying at the coffee chain store is arousing | 3.49 | 0.96 |
| | AQ2 | 4.2 Staying at the coffee chain is delightful | 3.75 | 0.86 |
| | AQ3 | 4.3 Staying at the coffee chain store is relaxing | 3.76 | 0.92 |
| | AQ4 | 4.4 Staying at the coffee chain store is entertaining | 3.42 | 0.95 |
| Experiential quality | EQ1 | I believe that visiting the coffee chain store is going to provide the customer with a great dining experience | 3.53 | 0.96 |
| | EQ2 | The quality of the coffee chain store could be considered superior when compared to other independent coffee shop | 3.33 | 1.06 |
| | EQ3 | Staying at the coffee chain store is a pleasant experience | 3.61 | 0.89 |
| Experiential satisfaction | ES1 | Staying at the coffee chain store goes beyond my expectations | 3.48 | 0.87 |
| | ES2 | I think I did the right thing when I experienced the service of the coffee chain store | 3.64 | 0.79 |
| | ES3 | It is worth while to be at the coffee chain store | 3.58 | 0.87 |
| Perceived value | PV1 | Compared to time I spend, staying at the coffee chain store is worthy | 3.61 | 0.82 |
| | PV2 | Compared to the efforts I make, staying at the coffee chain store is worthy | 3.56 | 0.82 |
| | PV3 | I feel happy about my choice of staying at the coffee chain store | 3.65 | 0.83 |

Table 3 (Continued)

| Construct | Items | | Mean | SD |
|---|---|---|---|---|
| Experiential trust | ET1 | The coffee chain store really takes care of my needs as a customer | 3.68 | 0.85 |
| | ET2 | I am sure that the employees of the coffee chain store would do everything to satisfy my need | 3.6 | 0.93 |
| | ET3 | I have great confidence in the employees of the coffee chain store | 3.56 | 0.9 |
| | ET4 | I believe that the price/ quality ratio offered at the coffee chain store is very reasonable | 3.5 | 0.95 |
| Experiential loyalty | EL1 | I will spread positive word-of-mouth about the coffee chain store | 3.46 | 0.98 |
| | EL2 | I want to continue as a customer of the coffee chain store | 3.71 | 0.91 |
| | EL3 | Even if close friends recommended another independent coffee shop, my preference for the coffee chain store would not change | 3.03 | 1.17 |

## Data analysis
### Pearson's correlation matrix
Before running regression analysis, the correlation coefficient is checked to identify possible issues of potential multicollinearity.

Table 4 reports the results. According to the hypothesized relationship, Pearson's correlation matrix supports positive relationship among the variables at 5% level of significance.

Table 4 Correlation Matrix of Proposed Variables

| | IQ | PEQ | OQ | AQ | EQ | ES | PV | ET | EL |
|---|---|---|---|---|---|---|---|---|---|
| **IQ** | 1 | | | | | | | | |
| **PEQ** | 0.621* | | | | | | | | |
| **OQ** | 0.754* | 0.730* | 1 | | | | | | |
| **AQ** | 0.527* | 0.596* | 0.651* | 1 | | | | | |
| **EQ** | 0.456* | 0.655* | 0.594* | 0.681* | 1 | | | | |
| **ES** | 0.543* | 0.638* | 0.685* | 0.707* | 0.785* | 1 | | | |
| **PV** | 0.506* | 0.585* | 0.616* | 0.678* | 0.716* | 0.823* | 1 | | |
| **ET** | 0.636* | 0.618* | 0.715* | 0.659* | 0.673* | 0.762* | 0.741* | 1 | |
| **EL** | 0.485* | 0.516* | 0.594* | 0.647* | 0.666* | 0.761* | 0.731* | 0.739* | 1 |

Note *correlation is significant at P-value < 0.05 (1-tailed)) (N = 408)

IQ = Interaction Quality, PEQ = Physical Environment Quality, OQ = Outcome Quality, AQ = Affective Quality, EQ = Experiential Quality, ES = Experiential Satisfaction, PV = Perceived Value, ET = Experiential Trust, and EL = Experiential Loyalty

## Regression Analysis

To test the hypothesized relationship, multiple linear regression and single linear regression analyses were performed. Statistical summary and hypothesis testing are reported in table 5.

Table 5 Summary of Hypothesis Testing of All Constructs

|       | Hypothesis |               |    | Standardized Co-efficient | VIF   | Results       |
|-------|------------|---------------|----|---------------------------|-------|---------------|
| H1a   | IQ         |               |    | 0.091                     | 2.381 | Not supported |
| H1b   | PEQ        | →             | EQ | 0.404                     | 2.311 | Supported     |
| H1c   | OQ         |               |    | 0.105                     | 3.468 | Not supported |
| H1d   | AQ         |               |    | 0.336                     | 1.838 | Supported     |
| H2    | EQ         | →             | PV | 0.668                     | 1.00  | Supported     |
| H3    | EQ         | →             | ET | 0.869                     | 1.00  | Supported     |
| H4a   | EQ         |               |    | 0.309                     | 2.261 | Supported     |
| H4b   | PV         | →             | ES | 0.412                     | 2.744 | Supported     |
| H4c   | ET         |               |    | 0.167                     | 2.440 | Supported     |
| H5a   | ES         |               |    | 0.400                     | 3.702 | Supported     |
| H5b   | ET         | →             | EL | 0.246                     | 3.437 | Supported     |
| H5c   | PV         |               |    | 0.270                     | 2.634 | Supported     |
| H6    | G          | →             | EL | -0.031                    | 1.003 | Not Supported |

Firstly, to test if interaction quality, physical environment quality, outcome quality and affective quality significantly predict experiential quality, a multiple regression was calculated. The results of regression indicated that the four predictors explained 56.4% of the variance ($R^2 = .564$, $F(4,403) = 130.174$, $p < .05$). It was found that physical environment quality significantly predicted experiential quality ($\beta = .40$, $p < .05$), as did affective quality ($\beta = .36$, $p < .05$). Tests on the assumption of collinearity indicated that there was no issue of multicollinearity (VIF for all variables are less than 10).

The second step involved a single regression to predict perceived value based on experiential quality. A significant regression was found $F(1,406) = 427.697$, $p < .05$), with an $R^2$ of .513. It was reported that experiential quality significantly predicted perceived value ($\beta = .668$, $p < .05$). For the third step, a single regression was calculated to predict experiential trust, based on experiential quality. A significant regression was also found $F(1,406) = 335.431$, $p < .05$), with an $R^2$ of .452. It was reported that experiential quality significantly predicted experiential trust ($\beta = .869$, $p < .05$).

To test the influence of independent variables on experiential satisfaction, a multiple regression was calculated to validate if experiential quality, perceived value and experiential trust significantly predict experiential satisfaction. The results of regression indicated that the three predictors explained 77.8% of the variance ($R^2 = .778$, $F(3,404) = 427.253$, $p < .05$). It was found that experiential quality ($\beta = .309$, $p < .05$) significantly predicted experiential satisfaction as did perceived value ($\beta = .412$, $p < .05$) and experiential trust ($\beta = .167$, $p < .05$). Finally, a multiple regression was run to test if perceived value, experiential satisfaction, experiential trust, a dummy variable for gender significantly predict experiential loyalty. The results of regression showed that the independent variables explained 65.2% of the variance ($R^2 = .652$, $F(4,403) = 188.927$,

p < .05). It was found that experiential satisfaction (β = .400, p < .05). Significantly predicted experiential loyalty as did experiential trust (β = .27, p < .05) and perceived value

(β = .246, p < .05). Results from one-way ANOVO also confirmed that there is no significance difference between male and female respondents on experiential loyalty.

Table 6 One-Way ANOVA

|                | Sum of Squares | df  | Mean Square | F     | p-value |
|----------------|----------------|-----|-------------|-------|---------|
| Between Groups | 0.606          | 1   | 0.606       | 0.084 | 0.772   |
| Within Groups  | 2920.313       | 406 | 7.193       |       |         |
| Total          | 2920.919       | 407 |             |       |         |

**Discussion**

The continual growth in the coffee chain industry requires deeper understanding of customers' expectation in their experiences and how such experiences could translate into experiential loyalty. Based on the responses of 408 customers, this study shows that physical environment quality and affective quality were the two important determinants of experiential quality in the coffee chain stores in Bangkok. These findings are consistent with existing empirical evidence, acknowledging the importance of experience related cognition in store setting. In particular, Alan et al. (2016) found that escape and entertainment or the feel-good components and store-related cognitions, particularly providing appealing, pleasant design and environment, contributed to positive emotion, which mediated the relationship with store loyalty. Similarly, Wu (2017) found that affective quality and physical environment quality were the first and the second most important determinants of experiential quality, while Han et al. (2018) reported that affective drivers had a direct influence on brand loyalty among customers of coffee chain stores in Korea.

In contrast to the findings by Wu (2017), interactive quality and outcome quality did not have any influence on experiential quality. One possible explanation might be due to the

influence of individualist or collectivist values. Recently, Oh, Yu, and Lee (2019) studied the relationship between service quality and experiential quality in coffee chain stores targeting respondents in the U.S. and South Korea for cross-cultural comparison. They found that interesting observations. Firstly, employee quality did not have any statistical significance towards perceived value. They argued that customers usually spent less time at coffee chain stores, compared with the restaurants where they have to sit, order and eat. When customers ordered coffee on the go, the interaction time with the employees. Nevertheless, cross-cultural comparison showed that quality of employees was more important to American customers, compared to Korean customers.

Apart from that, differences in culture may explain the differences in the importance of physical environment. In their study, physical environment quality was an important determinant for Korea respondents, whereas employee quality and food quality were important factors for American respondents. For this study, the target customers paid repeat visit to a range of coffee chain stores, with a few in the mass market such as Amazon Coffee and Doi Chang, as opposed to the work of Wu (2017) where the study was conducted at Starbucks Taiwan. With local coffee chain brands, it may be possible

that customers ordered coffee on the go, reflecting limited interaction time to assess any meaningful contribution from the service staff to experiential quality.

In addition to the preceding observation, this study reports that experiential quality has a positive influence on perceived value. This finding is consistent with the findings reported by Wu (2017) and Oh et al. (2019) in the context of coffee chain. In the work of Oh et al. (2019), it is reported that customer service experiences, namely food quality, hedonics and recognition as significant predictors of perceived values. Secondly, the results show that experiential quality has a positive influence on experiential trust. In the context of coffee chain stores, Wu (2017) argued that the level of experiential quality at coffee chain store provided customers with higher level of confidence. Thirdly, experiential quality, perceived value and experiential trust positively influence experiential satisfaction. Results show that perceived value is the most important determinant of experiential satisfaction, followed by experiential quality and experiential trust. These findings are also consistent with existing empirical evidence in coffee chain stores (Han et al., 2018; Wu, 2017). Finally, the results of this study render support for the empirical evidence on the influence of experiential satisfaction, perceived value and experiential trust on experiential loyalty. Consistent with the existing empirical evidence, customer experiences demonstrate positive influence towards satisfaction (Han et al., 2018), the work of Oh et al. (2019) supports the relationship between perceived value and customer loyalty. The work of Wu (2017) supports the relationship between experiential satisfaction and experiential trust as the antecedents of experiential loyalty. This study extends the hypothesized relationship from the model of Wu (2017) to test the influence of perceived value as antecedent for experiential loyalty as evidenced by existing research in marketing literatures.

In terms of the role of gender, this study does not find any significant differences between male or female customers on experiential loyalty towards coffee chain stores. The lack of statistical significance contradicted with the work of Phetniam (2015), suggesting that more female would purchase from premium coffee chain. Despite the inconsistency, the lack of gender influence on purchase intention of coffee chain was not uncommon. Several works in Thailand did not find any statistical significance on the influence of gender either (Saengrun, 2007; Jitrapirom & Sukri, 2015). One possible explanation could be attributable to the fact that our sample reflects the lifestyles of working individuals in Bangkok area, where it is common for both male and female to meet at coffee chain for business meeting or casual discussion.

Overall, the results of this study support the conceptual framework on the relationship among experiential quality, perceived value, experiential satisfaction, experiential trust and experiential quality on the studies related to Coffee Chain stores in Bangkok. At the same time, results of this study underlined the importance of customers' experiences and affective dimension in line with the value-satisfaction-loyalty chain among prior studies in retail setting (Gallarza et al., 2016). In the context of coffee chain in Bangkok, service providers should place greater emphasis on service element with high impact on physical environment quality and affective quality and continuously update changing preferences on lifestyles experiences to create impact on the chain of experiential quality, perceived value, experiential satisfaction, experiential trust and experiential loyalty.

## Limitations & Recommendations

In terms of limitation, this study is based on residents of Bangkok and could not be generalized to other metropolitan cities in Thailand due to potential differences in demographic and lifestyles of population in those areas. Within the context of Bangkok customers who made repeat visits to the same stores over the past three months, results of our study offer several insights. Firstly, customers' experience in coffee chain stores is driven by store atmospheric and feel-good components while using the services at coffee chain stores. This finding underlines the trend of coffee consumption in coffee chain stores as lifestyles experiences as observed by academicians since the early 2010. Secondly, customers' experiences could lead to experiential loyalty by exceeding customers' expectation on services experience, leading to satisfaction, recognition of values in the service proposition and confidence in the experience of the coffee chain. They are more likely to develop attachment and repeat visits at the same stores. In terms of future research, two recommendations are offered based on the results of this study. Firstly, to understand the significance of experiential quality, target respondents for future research may focus on high-end coffee stores, targeting at a particular segment of customers. Such niche stores may offer unique proposition on customers' involvement, engagement or co-creation to influence customers' experience. Such insights may offer deeper level of understanding of customers' experience beyond the coffee chain segment. Secondly, although this study addresses the determinants of coffee chain, the potential issue of brand switching had not been looked into. Within this sample, it is observed that customers had been using a wide range of coffee chains, reflecting the possibility of brand switching behaviors. To the best of the researchers' knowledge, there has not been much research on brand switching within coffee chain stores. Applying the literatures from brand switching literatures may help provide insightful information for the researchers and practitioners in this area.

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