

## CHAPTER II

### LITERATURE REVIEW

#### 2.1. Theoretical Review

According to an Ibis report (2011), the National coffee association (2016), and Starbuck (2016), the coffee shop industry is popular worldwide because coffee shops serve various purposes, such as chatting, meeting, eating, or studying. As an example in 2015, coffee shop-related businesses generated 225.2 billion dollars in revenue globally and created approximately 1.7 million jobs.

According to an Ibis report (2011), the coffee shop industry is categorized as fairly competitive and has a low entry barrier. According to Han, Back, & Barrett (2009), Han & Jeong (2013), Jung & Yoon (2013), and Ryu et al., (2008), these characteristics are important for coffeeshop businesses to make efforts to maintain current customers and to attract new customers. Such businesses must develop an in-depth understanding of customers. According to Chen & Hu (2010), Han et al., (2009), Han & Hyun (2017), Han, Kwornik, & Wang, (2008), Han & Ryu (2009), Jung & Yoon (2013), Kim & Ok (2010), Ryu, et al., (2008) (2012), and Tsaur et al (2015), in particular, customer satisfaction in the marketing context is a critical factor to retain customers and attract new customers by encouraging behavioral intentions that include “recommendations,” “willingness to pay,” repurchases,” and “word of mouth”. Thus, according to Jung & Yoon, (2013), Ryu et al., (2012), and So, King,

Sparks, Wang, (2016), providing products or services that either encourage customer satisfaction or prevent dissatisfaction is vital for retaining or attracting customers. The existing coffee shop research has examined the special attributes that affect customer satisfaction. Nonetheless, in many previous studies, only limited or non-specific variables have been examined to determine the relationship with satisfaction in the context of the coffee shop. According to Ko and Chiu (2008), the antecedents of coffee shop service satisfaction using brand-associated attributes. According to Tu, Wang, and Chang (2012), the satisfaction of coffee consumers using corporate social responsibility-related attributes. Additionally, according to Kim and Shim (2017), the association between service quality and customer satisfaction.

#### **2.1.1. Atmosphere**

To examine customer satisfaction, this research identified the four main attributes that may reflect coffee shop characteristics: atmosphere, employee attitude, IT service, and taste. According to Han et al. (2009), Han & Ryu (2009), Kang, Tang, Lee, & Bosselman (2012), Ryu et al (2012) and Tsaur et al (2015), “coziness” and “comfort” as a state of physical relaxation in the atmosphere and that it provided customers with familiarity comfort to create satisfaction in the hospitality idea. According to Ha & Jang (2010), Heung & Gu (2012), Tripathi & Dave (2014), Han & Hwang (2015), Han & Hyun (2017) and Han et al (2012), the

effects of “atmosphere” inside the tourism industry domain and feature advised that feelings of comfort from the environment are in all likelihood to generate an experience of satisfaction. As an example, according to Han and Jeong (2013), customers of an upscale American eating place and discovered a positive effect of the atmosphere on customer pleasure. Mainly based on the extant literature, the hypothesis is as follow:

***H1: Atmosphere positively affects customer satisfaction in the coffee shops.***

#### **2.1.2. Employee Attitude**

The second variable examined was “employee attitude.” According to An & Noh (2009), Han et al (2012), Kang et al (2012) and Ringle, Sarstedt, & Zimmermann, (2011), in hospitality and tourism services, employees are more likely to be at the service interface. Thus, their attitudes reflected service quality. According to Gazzoli, Hancer, & Park (2010), Kang & Hyun (2012), Liu & Jang (2009), Ryu et al (2012), Tsaur et al (2015) and Wu & Liang (2009), a friendly or kind reply (the desire to help) from employees is an important element of restaurant service. Moreover, according to Kim and Ok (2010), positive employee attitude builds rapport with the customer, which is associated with

satisfaction. Similarly, according to Hwang and Ok (2013), in casual and fine dining restaurants, outcomes such as customer satisfaction and favorable behavioral intention are determined by the interaction between customers and employees. Based on the literature review, the hypothesis is as follow:

***H2: Employee attitude positively affects customer satisfaction in the coffee shops.***

### **2.1.3. IT Services**

The third variable was “IT service provision” such as speed or availability of wireless Internet service). According to Brochado, Rita, & Margarido (2016), Bulut, Demirbas, & Ferhatosmanoglu (2015), Efimov & Whalley (2004), Hampton & Gupta (2008), Honack & Waikar (2017), Liu (2009) and Yang & Jun (2002), free Internet service has become an important element that can improve service quality. In particular, according to Darini & Khozaei (2016), Spacey, Muir, Cooke, Creaser, & Spezi (2015), Yusop, Tiong, Aji, & Kasiran (2011) and Zhou, Ye, Pearce, & Wu (2014), the wireless Internet service builds a competitive advantage in restaurant or food services. For example, in a study of American customers, according to Cobanoglu et al. (2012), the role of wireless Internet service contributed and

generated favorable customer reactions in a restaurant setting. According to Kim, Park, and Jeong (2004), in Korean hospitality service customers, they found a positive impact of wireless Internet service on the level of customer satisfaction. Thus, the following is proposed as the third hypothesis:

***H3: IT service positively affects customer satisfaction in the coffee shops.***

#### **2.1.4. Coffee Quality**

"Coffee quality" was the last variable that can affect customer satisfaction. According to Chen & Hu (2010), Dorn, Messner, & Wänke (2016), Ha & Jang (2010), Han & Hyun (2017) and Namkung & Jang (2007), food quality is the most significant element in the food service business. According to Ha & Jang (2010), a full-service restaurant by Tsaour et al (2015) and a hotel restaurant by Han & Hyun (2017), in an ethnic restaurant, found positively significant association between satisfaction and food quality.

Based on the evidence, this research found that coffee quality influenced customer satisfaction.

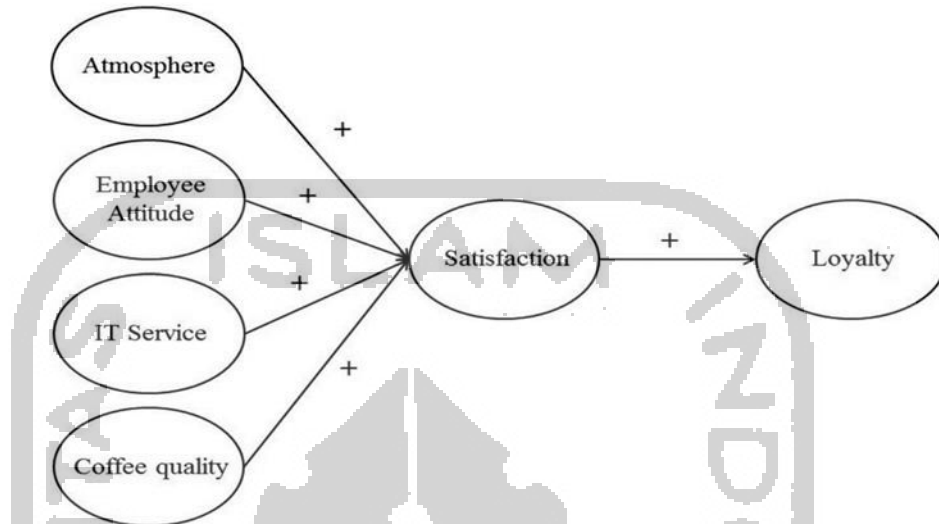
***H4: Coffee quality positively affects customer satisfaction in the coffee shops.***

### 2.1.5. Customer Satisfaction

In the end, experts argue that customer satisfaction plays an important role in increasing "customer loyalty" because positive psychological states are more likely to produce positive reactions such as word of mouth, repurchase intentions, and willingness to pay. According to Chen & Hu (2010), Han et al (2009, 2008), Han & Ryu (2009), Kim et al (2015) and So et al (2016), loyalty is in line with preferences and favorable behavioral intentions such as recommendations and willingness to pay and intentions to repurchase a certain product, service, or brand. According to Ryu et al (2008), a family restaurant by Jung & Yoon (2013) and a hotel restaurant by (Han & Hyun (2017), customer satisfaction positively affects loyalty behavior in the case of a fast-casual restaurant.

*H5: Satisfaction positively affects customer loyalty in the coffee shops.*

## 2.2. Conceptual Framework of the Research



**Figure 1. Conceptual Framework.**

The conceptual framework provides a foundation for the research. The framework consists of four independent variables, which are atmosphere, employee attitude, IT service, and coffee quality. Beside that, it consists of one mediating variable which is the satisfaction that is affected by the atmosphere, employee attitude, IT service, and coffee quality. The last one is consisting of one dependent variable, which is loyalty that is affected by one mediating variable and four independent variables.