2016 Fall Honors Capstone Projects   Honors College

12-1-2016

SPECIALTY COFFEE: HOW SPECIAL IS COFFEE TO GLOBAL CONSUMERS?

Nicholas Watson

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SPECIALTY COFFEE: HOW SPECIAL IS COFFEE

TO GLOBAL CONSUMERS?

by

NICHOLAS WATSON

Presented to the Faculty of the Honors College of

The University of Texas at Arlington in Partial Fulfillment

of the Requirements

for the Degree of

HONORS BACHELOR OF BUSINESS ADMINISTRATION

IN INTERNATIONAL BUSINESS (FRENCH)

THE UNIVERSITY OF TEXAS AT ARLINGTON

August 2016

ACKNOWLEDGMENTS

Researching and writing a research paper is no easy feat, nor is it done by the work and guidance of one person. I am grateful to have had the help of many people over the course of the last year and the entirety of my academic career who have steered me in the right direction. I would like to first thank Professor Fernando Jaramillo, who guided me in not only my research, but also in my plans beyond graduation. Professor Jaramillo was able to direct me in my survey methods and in the analysis of my research. I will always be grateful for the time and care he gave me to work on my research methods. I would also like to thank Bobbie Brown and Dr. Kevin Gustafson for their guidance, consultation, and direction over my years in the Honors College at UT Arlington.

I would also like to thank Dean Karl Petruso for extending me the Honors Distinction Scholarship that has afforded me the opportunity to attend the University of Texas at Arlington. Without this generous gift, I would not have been able to enjoy these last four years to the extent I have. I would like to thank Kelly Lim for her friendship and aid in conducting my research. Without her, I would not have been able to reach the audience I was able to reach. Lastly, I would like to thank my parents for cultivating in me a strong desire to learn while encouraging me to pursue my passion for the world of coffee.

April 15, 2016

ABSTRACT

SPECIALTY COFFEE: HOW SPECIAL IS COFFEE

TO GLOBAL CONSUMERS?

Nicholas Watson, B.B.A. International Business French

The University of Texas at Arlington, 2016

Faculty Mentor: Jorge Fernando Jaramillo

Gaining insight into the wants and needs of coffee consumers in a global market is important when serving a diverse population of domestic and international buyers whose needs vary due to culture and background. This work surveyed 200 coffee customers in Dallas and Fort Worth coffee shops. Subjects were given surveys that asked about their coffee drinking habits and satisfaction with recent coffee experiences. Open-ended responses gave insight into buying preferences. The main findings showed that buyers from both domestic and international backgrounds rated taste and customer service as the most important elements in their coffee buying experiences and ethical sourcing of products was the least important element in their coffee buying experiences. Findings also showed that buyers were most dissatisfied with price in their recent coffee buying experiences. Coffee vendors should ensure quality standards with respect to taste and customer service while gauging price sensitivity of local buyers.

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CHAPTER 1

INTRODUCTION

<u>1.1 Specialty Coffee</u>

Coffee has been around for millennia. Since its discovery by Kaldi, the goatherd of legend in Ethiopia, coffee has found its way first to Yemen and onward throughout the western and eastern hemispheres. Through the discovery that this cherry's seed could make a liquid that would give the drinker energy, coffee quickly gained popularity and infamy (Pendergrast 2-5). Many were wary of coffee, but it became clear that even those vehemently opposed to the 'devil's liquid' would eventually come to defend it. The bean began to be grown across the tropics and consumed internationally. After coffee became a large consumer good in the United States, it was only a matter of time until big businesses had dominated the American coffee market. Specialty coffee had not yet become a major player in the American market until the 1970s and 1980s.

The hippies and yuppies of the 1970s began to look for something better and try to go beyond the big business model of buying low-quality robusta and selling it at a premium. They wanted to do this by paying a bit more for higher-quality arabica coffees and, in turn, producing a better product for their customers. Leaders in this movement include Schoenholdt, Katzeff, Howell, and Bowker, Siegl and Baldwin of the then fledgling Starbucks. These men and women had grown tired of big business' low-quality coffee after growing up with or experiencing freshly roasted coffee themselves. They got their big break to emerge in the market in 1975 during the Black Frost (Pendergrast 317-336). The

Black Frost, along with the rampant leaf rust in South America, drove down robusta yields and resulted in a major price hike of robusta. Brazil, one of the major suppliers of robusta during the time of the Black Frost, was struggling with keeping prices at the same level, and robusta's price rose closely to specialty coffee's Arabica. Many customers during this Black Frost took the chance of trying out specialty coffee due to the shortened price gap. This conversion of buyers from big business' robusta to specialty coffee's Arabica is what gave way to the large entrenchment of specialty coffee in the big cities on the West and East Coasts in 1980s (Pendergrast 317-336).

Today, the Specialty Coffee Association of America exists as a testament to Don Schoenholdt's and Tid Tingle's dedication to their craft. Big specialty coffee companies like Starbucks, Intelligentsia, Stumptown, La Colombe, and others are signs that specialty coffee is becoming more and more popular throughout the U.S. and internationally. Starbucks is known internationally by its siren logo, and Blue Bottle Coffee roasts and sells coffee in the United States and in Japan. The World Barista Championship in 2015 had 48 countries send baristas, which shows the immensity of the global specialty coffee industry and market (Chai 2015, pp. 68-73).

Specialty coffee seeks to deliver something much more appealing and delicious than a cup of Joe. Many roasters since the 1970s and still today make use of wine tasting notes to describe their coffees because they want customers to see coffee in that same refined manner. Customers are encouraged to taste, smell, and think about the entire cup of coffee as an experience and as a combination of distinct notes that describe the aromas and tastes of the coffee. In 2013, Counter Culture Coffee went about revising the existing coffee flavor wheel created by Ted Tingle in 1995 (Figure 1) (Counter Culture Coffee). In

2016, The Specialty Coffee Association of America released a new flavor wheel to build upon Tid Tingle's wheel to incorporate new notes and to make the coffee tasting process easier (Figure 2) (Kubota, 2016).

Figure 1.1: Counter Culture Coffee Taster's Flavor Wheel

Figure 1.2: Specialty Coffee Association of America Coffee Taster's Flavor Wheel

1.2 Buyer's Preference

Buyer's preference is a very important aspect within marketing. It is the very knowledge that drives product placement and product development. Understanding what the buyer wants and how they may want to buy it makes selling a product fairly easy given sufficient data. Understanding buyer preference becomes more difficult in a business environment that is still dependent on the understanding of divergence.

Marieke De Mooij is a professor of marketing who has looked into the importance of divergence in the world of marketing. This increasing need of marketers to be aware of the cultural backgrounds of their market so as to better place products for customers is both indisputable and drastically vital to a firm's success. De Mooij looked into various aspects of culture and used these to analyze correlations in mineral water consumption alongside convergence and divergence internationally. She also analyzed the effects of masculinity on soda sales internationally. As a male-dominated industry, coffee is another industry to be aware of how masculinity plays a part. This globalization of the market led to the increasing effect of cultural norms influence of sales of particular products (De Mooij 196-198).

Ackerman and Tellis analyzed the behavior of consumers shopping in supermarkets. These findings showed cultural differences between English-speaking and Chinese-speaking consumers influenced how the different consumers purchased goods in a supermarket, the amount of time per selection, and how they analyzed goods purchased. Cultural differences between the two groups showed that cultural differences influenced how stores in English-speaking areas and Chinese-speaking areas had to present products and place products differently. The differences between the groups showed that American

customers preferred to spend very little time in a supermarket and to be able to buy everything they need at the supermarket while Chinese customers preferred to have fewer brands of each product while needing enough space to mull over fruit and meat selections (Ackerman and Tallis 68-82). These very different shopping habits of consumers reiterate De Mooij's point that global marketing only needs to be more culturally aware so as to tailor goods and services better to acknowledge cultural preferences.

Shukla and Purani analyzed the importance of indulgence and restraint values within cultural norms for the purchase of luxury goods(Shukla and Purani 1417-1423). In the domain of coffee, specialty coffee can be viewed as a luxury good. Shulka and Purani focused on perceived value of buyers in the context of cultural preferences and how these preferences affect the perceived luxury value, which resulted in varying purchasing intention per cultural background. These findings between UK and Indian buyers show how the two cultural groups perceive luxury goods and the world around in regards to different value perceptions. Many customers perceive specialty coffee as a luxury good. This entails the same understanding of how various cultures may perceive how attractive specialty coffee is to them.

CHAPTER 2

METHODOLOGY

2.1 Data Collection

Data were collected in four coffee shops in the Dallas/Fort Worth Metroplex. Data were collected using a multi-question survey. The survey contained questions regarding subject's background information, coffee consumption, open-ended questions regarding a subject's worst and best recent coffee experience, and scale questions regarding elements of a coffee purchase and their importance to the buyer. Background information included age, ethnicity and nationality, languages spoken and the main language spoken at home. The coffee consumption habits data collected included the number of coffees consumed per week at coffee shops, amount spent at coffee shops, and customer loyalty to a certain coffee shop. The open-ended questions regarding the best or worst coffee experiences included questions about the day's events surrounding the experience. Scale questions asked respondents to rank how important particular aspects of the coffee-purchasing experience are to them (i.e. customer service, freshness of product, presentation, ambience, etc.). Open-ended responses provided insight into all scale questions as well as provided data through the critical incident.

2.2 Sample Description

Subjects were picked at random in the coffee shops. The subject profile was 51% male and 49% female, with 61% being American born buyers and 39% being internationally born buyers. 87.5% of the buyers were between the ages of 18-27, with

12.5% of the buyers between the ages of 28-61. All respondents spoke English, with other major languages spoken including Spanish, Korean, Chinese, and Vietnamese.

<div align="center">2.3 Data Analysis</div>

Respondents' scores were analyzed by satisfaction and importance questions in line with background data. Domestic and international audiences were analyzed as overall and separate populations. Respondents also had the opportunity to give open-ended responses to give insight into possible choices. While all respondents did not give thorough responses to the open-ended question, the responses were still acknowledged when applicable.

CHAPTER 3

RESULTS AND ANALYSIS

3.1 Overall Population

Analysis of Variance (One-Way)

Summary

Groups	Sample size	Sum	Mean	Variance
Accessibility (Parking, Ease of Access, etc)	200	1,027.	5.135	2.22791
Customer Service	200	1,125.	5.625	1.79334
Diverse Product Offering	200	924.	4.62	1.96543
Ethical Sourcing of Products (Fair Trade, Direct Trade, etc)	200	822.	4.11	2.2592
Presentation (Aesthetic and Offering of Final Product)	200	939.	4.695	1.83113
Price	200	1,051.	5.255	1.61807
Taste	200	1,204.	6.02	1.31618
Wait Time (From Ordering to Receiving Drink and/or Food Purchases)	200	1,005.	5.025	1.91394

ANOVA

Source of Variation	SS	df	MS	F	p-level	F crit
Between Groups	503.00438	7	71.85777	38.51621	0.	2.015 32
Within Groups	2,970.115	1592	1.86565			
Total	3,473.11938	1599				

Table 3.1: One-Way ANOVA Analysis of Overall Population's Responses to Importance
   Scale Questions

A one-way ANOVA analysis of the responses to the importance scale questions on

the survey was done to see possible highs and lows of overall preferences. The one-way

ANOVA yielded data that showed taste and customer service as the two most important

elements of the coffee experience with the smallest variance on taste for the overall

population. The lowest rated element for the overall population and was ethical sourcing

of products. Ethical sourcing of products had the highest amount of variance. Despite the variance, this may suggest that current buyers, particularly in their 20s, may not be as ethically minded when it comes to buying coffee.

The two-way ANOVA analysis of responses by language spoken at home and by gender proved that there were few differences among separate populations. The only two groups to yield significance were the female and male English speaker group and the female and Spanish speaker group. This could mean that there is a significant difference in how men and women in native Spanish speaking groups (mainly within their 20s) prefer their coffee experiences as well as a significant difference in how men and women in the native English speaking group (mainly within their 20s) prefer their coffee experiences.
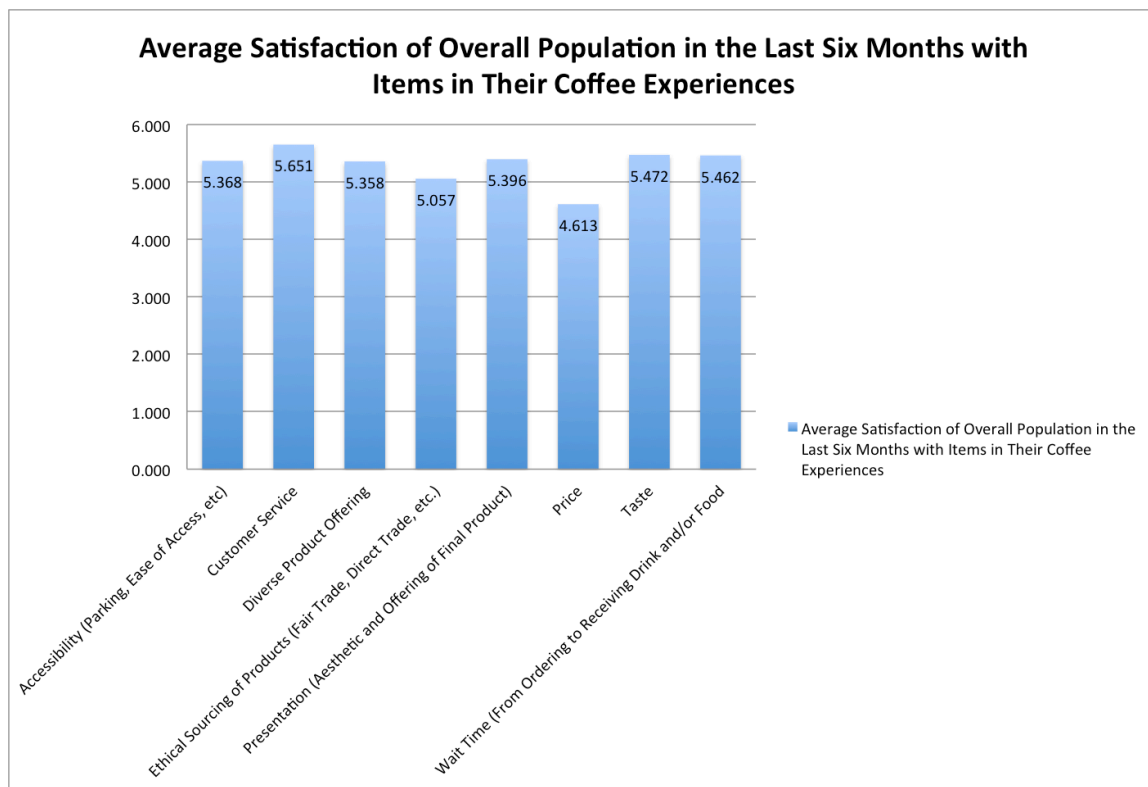

Figure 3.1: Average Satisfaction of Overall Population in the Last Six Months with Items in Their Coffee Experiences

Overall satisfaction in the last six months of the overall population was high, with most scores per element above five. The lowest score of price shows a need for community managers to understand where this low rating may originate within the buyers' minds. It could be a product being priced too high for perceived benefit or even possibly a product not being valued at a high enough value to constitute a higher-quality experience.

3.2 Separate Populations

Analysis of Variance (One-Way)

Summary

Groups	Sample size	Sum	Mean	Variance
Accessibility (Parking, Ease of Access, etc)	76	387.	5.09211	2.2714
Customer Service	76	421.	5.53947	2.19842
Diverse Product Offering	76	351.	4.61842	1.73246
Ethical Sourcing of Products (Fair Trade, Direct Trade, etc)	76	307.	4.03947	2.25175
Presentation(Aesthetic and Offering of Final Product)	76	343.	4.51316	2.17316
Price	76	384.	5.05263	1.81053
Taste	76	443.	5.82895	1.90368
Wait Time (From Ordering to Receiving Drink and/or Food Purchases)	76	374.	4.92105	2.10035

ANOVA

Source of Variation	SS	df	MS	F	p-level	F crit
Between Groups	173.3881 6	7	24.7697 4	12.0521 1	0.	2.0248 3
Within Groups	1,233.131 58	600	2.05522			
Total	1,406.519 74	607				

Table 3.2: One-Way ANOVA Analysis of International Buyers' Responses to Importance Scale Questions

The one-way ANOVA analysis of international buyers' responses to importance scale questions of the survey shows a similar finding in the overall population where taste and customer service are listed as most important in the overall coffee experience except with more variance from international buyers. International buyers were more unanimous

in their rating of diverse product offering. This shows that international buyers (mainly in their 20s) here in Dallas/Fort Worth may not be as divergent from their local counterparts.
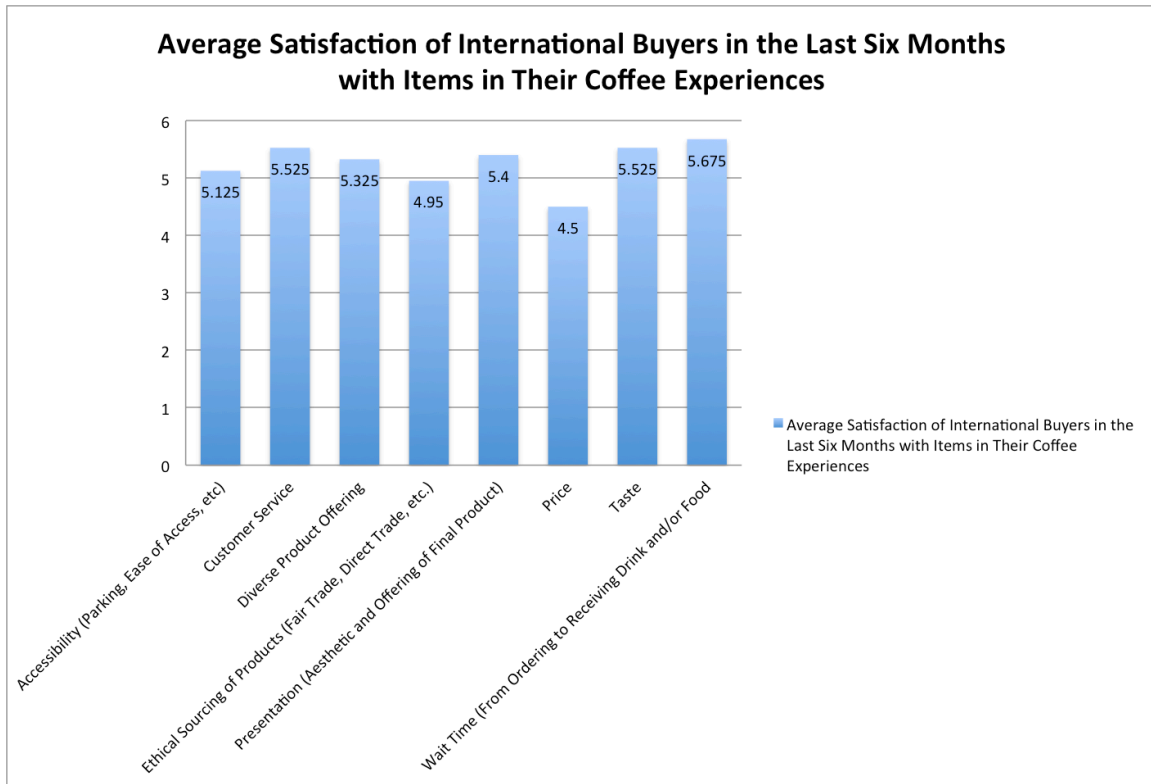
Figure 3.2: Average Satisfaction of International Buyers' in the Last Six Months with Items in Their Coffee Experiences

Average satisfaction of international buyers in the last six months with items in the coffee experiences shows particular satisfaction with taste and wait time and a particular lack of satisfaction regarding the price of their coffee experiences. As was seen in the overall population, this demonstrates a need for Dallas/Fort Worth café managers to understand what is influencing this low level of satisfaction. There could be a product being priced too high for perceived benefit or even possibly a product not being valued at a high enough value to constitute a higher quality experience.

CHAPTER 4

CONCLUSION

The main findings showed that buyers from both domestic and international backgrounds rated taste and customer service as the most important elements in their coffee buying experiences and showed ethical sourcing of products as the least important element in their coffee buying experiences. Data showed that buyers were most dissatisfied with price in their recent coffee buying experiences. Between distinct groups in the overall population, there is evidence to prove that native English-speaking males and females and native Spanish-speaking males and females may have particular preferences regarding their coffee experience. Coffee vendors should investigate recent price dissatisfaction of the overall population and learn if any recent price fluctuations are causing this dissatisfaction or if other points in the coffee experience are making price point dissatisfactory to customers.

APPENDIX A

SURVEY

What is your age? : _____ years old

Do you identify as male or female? ☐ Female   ☐ Male

What is your ethnicity? (Please check all that apply/Specify Country)

☐ North American: _____
☐ European: _____
☐ South American: _____
☐ Central American: _____
☐ Asian/Pacific Islander: _____
☐ African: _____
☐ Other: _____
What language(s) do you speak? (Click all the apply)

☐ Arabic   ☐ Chinese   ☐ English   ☐ French
☐ German   ☐ Hindi   ☐ Italian   ☐ Japanese
☐ Portuguese   ☐ Spanish   ☐ Vietnamese
☐ Other Language(s): _____
Of the selected language(s), which do you speak the most at home?

_____

How often do you consume coffee in a coffee shop?
☐ 0-1 times per week   ☐ 2-4 times per week   ☐ 5 or more times per week

How much do you (on average) spend on each time you visit a coffee shop?

☐ $0.01-$1.99   ☐ $2.00- $3.99   ☐ $4.00- $5.99   ☐ $6.00 or more

What is your main reason for purchasing coffee in a coffee shop?
☐ Daily Habit ☐ Necessity (i.e. extra energy) ☐ Personal Satisfaction ☐ Social Setting

When purchasing coffee, how often do you return to the same coffee shop?

☐ 0-25% (Rarely) ☐ 26-50% (Sometimes) ☐ 51-75% (Often) ☐ 76-100% (Always)

On a scale of 1-7, with 1 being very unimportant to 7 being very important, how important are the following elements when buying coffee in a coffee shop?	1 (Very Unimportant)	2	3	4	5	6	7 (Very Important)
Accessibility (Parking, Ease of access, etc.)							
Customer Service							
Diverse Product Offering							
Ethical Sourcing of Products (Fair Trade, Direct Trade, etc).							
Presentation (Aesthetic and offering of final product)							
Price							
Taste							
Wait Time (From ordering to receiving drink)							

On a scale of 1-7, with 1 being very dissatisfied to 7 being very satisfied, how satisfied have you been with the following elements when buying coffee in the last 6 months?	1 (Very Dissatisfied)	2	3	4	5	6	7 (Very Satisfied)
Accessibility (Parking, Ease of access, etc.)							
Customer Service							
Diverse Product Offering							
Ethical Sourcing of Products (Fair Trade, Direct Trade, etc).							
Presentation (Aesthetic and offering of final product)							
Price							
Taste							
Wait Time (From ordering to receiving drink)							

Please recall your best or worst coffee experience in a coffee shop within the last 6 months.

Before purchase: (What was happening that day before the purchase?)

_____
_____
_____
_____
_____

The actual purchasing: (What happened from the moment you arrived at the vendor?)

_____
_____
_____
_____
_____

After the purchase: (What happened after you left the vendor?)

_____
_____
_____

How did you feel after this experience?

_____
_____

What did you do regarding the coffee experience?

_____
_____
_____

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BIOGRAPHICAL INFORMATION

Nicholas began his academic career at the University of Texas at Arlington as a vocal performance undergraduate, but decided to pursue his love of coffee after changing his major to International Business (French). Throughout his time in the College of Business, Nicholas has studied and completed research projects on the subject of coffee. He enjoys researching about coffee methods and current market trends as well as researching entrepreneurship, international trade, and marketing. Nicholas will graduate this summer with an Honors Bachelor of Business Administration in International Business (French) and will start his career in the coffee industry.