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Investigation into key drivers of customer loyalty of independent coffee shops in the London coffee shop market

A dissertation submitted in partial fulfilment of the requirements of the
 Royal Docks School of Business and Law, University of East London for the
 degree of
MSc International Business Management

August 2018

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Investigation into key drivers of customer loyalty of independent coffee shops in the London coffee shop market

August 2018

Abstract

In today's highly saturated and competitive markets, customer loyalty emerges as one of the most important challenges faced by marketers. London's independent coffee shop market can be identified as one of such complex business environments, where customers are often variety seeking and multi-brand loyal, which raises the question of how independent coffee shops can survive in such a competitive marketplace. This study aims to answer this question through the investigation of key drivers of customer loyalty of independent coffee shops in London's coffee shop market. This study aims to examine the different groups of loyal customers in the coffee shop market, by examining the drivers and consequences of their loyal behaviours and attitudes, and by establishing the effect of relationship marketing strategies, such as loyalty programmes, on customer loyalty.

This study follows the positivist research philosophy and uses the quantitative research methodology for data collection. Data was collected using a self-administered questionnaire and analysed using a combination of quantitative data analysis strategies, including bivariate correlation analysis and multivariate analysis of variance. The research findings showed three distinctive groups of loyal customers in the independent coffee shop market, where levels of attitudes and behaviours displayed differ significantly between the groups. The study also identified that both functional and emotional drivers impact independent coffee shop customers' loyalty, which then further significantly influences their post-purchase behaviour. The results of the study also showed that relationship marketing strategies have a weak effect on customers' repeat-purchase loyalty. Based on these research findings, the study was then able to recommend the best practices in loyalty-building strategies for independent coffee shop managers.

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1 Introduction

1.1 Overview

The first chapter of this study gives an introduction to the research and outlines its main focus. This chapter is further divided into three parts. The first part (Section 1.2) will introduce the research background and provide a brief summary of the current knowledge on customer loyalty and relationship marketing strategies. The second part (Section 1.3) will then discuss the research question origins, as well as present the research question along with the research objectives. And finally, the last part (Section 1.4) will provide an overview of the structure of this study, including the contents and the focus of the following chapters.

1.2 Research background

Today's marketplaces are extremely crowded and more competitive than ever before (Mascaranhas, 2006). Businesses in such markets are saturated and most of today's products and services have become commoditized (Kandampully et al., 2015). Such a complex business environment has consequently created an even more demanding and diversified customer base (Barnes et al., 2004). All of this is also true for the UK coffee market. Allegra (2018) predicted that the total UK coffee shop market will exceed 32,000 outlets and a turnover of £16 billion by 2025, with an annual outlet growth of 6%. British consumers are becoming more knowledgeable and empowered with choice of coffee than ever before. This comes as a consequence of the rise of artisanal independent coffee shops, which are not competing only against coffee shop chain brands, such as Starbucks and Costa, but also against other local independents (Bearne, 2017).

It is therefore becoming harder for coffee shops, independent and chain alike, to differentiate themselves in such a competitive and saturated market place. Previous research into hospitality businesses (Kandampully et al., 2015;

Bowen and Shoemaker, 2003; Pi and Huang, 2010; Yang et al., 2005) have identified that most businesses use price, advertising and promotion strategies in order to attract customers, but these are easily copied by competitors. However, researchers (Bowen and Shoemaker, 1998; Mascarenhas, 2006) have identified that businesses which build emotional bonds with their customers can gain competitive advantage that is not easily replicable by competitors. This is especially important for service businesses, because of their interpersonal nature and the lack of objective measures for assessing service quality (Gwinner et al., 1998).

A central tenant of consumer behaviour which enables the development of such close relationships is customer loyalty (Mattila, 2004). In today's highly competitive markets, cultivating a loyal customer base is frequently perceived as the single most important driver of a businesses' long-term financial performance and as the most important challenge faced by marketers (Alrubaiee and Nazer, 2010; Yoo and Bai, 2013). Uncles et al. (2002) have identified two main objectives of customer loyalty programmes. The first is to increase sales revenues by increasing both purchase levels and the range of products bought by the customer, and the second is to build a closer bond between the brand and its customers. Reichheld and Sasser (1990) have shown that the profit impact of having a loyal customer base is huge, as a 5% increase in customer retention can result in an increase in profits which can vary anywhere between 25 and 125%. Such an increase comes as a consequence of lower sales, reduced marketing and operating costs, price premiums, increase of customer referrals and revenue growth (Reichheld and Sasser, 1990; Oliver, 2010; Gwinner et al., 1998). We can therefore say that the relative cost of customer retention is significantly lower than that of customer acquisition. According to Wills (2009), it can cost up to five times as much to obtain a new customer than to keep an existing one. What is more, it has been shown (Ndubisi, 2004; Solnet and Kandampully, 2008; Gwinner et al., 1998) that loyal customers often generate new business for a firm through word-of-mouth recommendations and can therefore serve as brand ambassadors.

Businesses generally attempt to build customer loyalty through central marketing activities (Oliver, 1999) and relationship marketing strategies (Bowen and Shoemaker, 1998). However, several researches (Duffy, 2005; Sharp and Sharp, 1997; Tepeci, 1999) have shown that these strategies and marketing programmes are not enough to achieve 'natural loyalty'. Bowen and Shoemaker (1998) define loyalty as a long-term relationship that is built on trust and commitment between the buyer and the seller. Natural loyalty should therefore be achieved primarily through quality products and services, but also through passion, positive environment and honesty in everything a business does (Duffy, 2005).

However, successfully achieving customer loyalty is not a simple task. It has previously been shown (Ehrenberg et al., 1990; Chang, 2013; Helm et al., 2009) that customer loyalty is achieved more easily when the brand is bigger. Tepeci (1999) found that this is because bigger brands have an established reputation and customers find it easier to trust them, as they know exactly what to expect from them, in terms of service standards, experience and consistency of quality. In the coffee shop market, coffee shop chains, such as Starbucks or Costa, can use their reputation to secure customer trust and affiliation in order to ensure that customers will keep coming back to them (Thang and Tan, 2003). Independent coffee shops, on the other hand, lack such corporate reputation and might therefore find it more challenging to create a truly loyal customer base. This is where unique and engaging customer-brand interactions come into play (Mascarenhas, 2006).

1.3 Research question origins

A lot of research has already been conducted on customer-brand relationships and customer loyalty in services and in the hospitality industry, but most of it was focused specifically on hotels or casinos (Bowen and Shoemaker, 1998; Baloglu, 2002; Crick and Spencer, 2011; Back and Parks, 2003). Only a moderate amount of research has been conducted on the coffee shop market, and it either has a more limited focus with regards to the drivers of customer loyalty (Chen and Hu, 2010), or it studies chain coffee shop brands (Tu et al., 2012). Consequently, this study aims to investigate a wider scope of loyal behaviours displayed by coffee shop customers, with an added focus on the effect of relationship marketing on customer loyalty. This will provide a more complete picture of the customer loyalty phenomenon in the independent coffee shop sector. Furthermore, in order to achieve the most accurate results, this study will be conducted from the customer-behaviour point of view.

The London coffee shop market has been selected for this study because it is a marketplace that is characterized by diminishing product differentiation and heightened competitive pressures (Allegra, 2018), where there is a real need to understand consumer-brand relationships. Often in London, in a very small area, such as a single street, one can find several coffee shop alternatives. Due to this range of brand alternatives and the diversity of its customer base, in terms of both coffee-related behaviours and socio-demographic characteristics, there is a vast scope of loyalty experiences available for analysis in the London coffee shop market. This will enable an even greater insight into the customer loyalty phenomenon.

1.3.1 Research question and research objectives

The aim of this study is to identify the key drivers of customer loyalty of independent coffee shops in London's coffee shop market. The research question and research objectives that have been developed for the purposes of this study are illustrated in the following table (Table 1.1).

Research question
What are the key drivers of customer loyalty of independent coffee shops in London's coffee shop market?
Research objectives
1) to identify which type of loyal customer (attitudinally, behaviourally, situationally loyal) prevails in the independent coffee shop market,
2) to identify what drives customers into being loyal to independent coffee shops (antecedents of loyalty), what follows the development of such customer-brand relationships (consequences of loyalty), and how these differ from the drivers of loyalty to chain coffee shop,
3) to determine the effect of relationship marketing strategies, such as loyalty programmes, on customer loyalty of independent coffee shop customers, and
4) to detect good practices in loyalty-building strategies for independent coffee shop managers.

Table 1.1: Research question and research objectives

The findings of this study should provide a deeper understanding of how local, independent coffee shops can survive in such a saturated and competitive marketplace despite not having a corporate reputation that coffee shop chain brands possess. Additionally, the findings should provide a further insight into how independent coffee shops can increase their profitability and market share by building long-term relationships with loyal customers (Tepeci, 1999). For that reason, it is important to conduct this study from the customer-behaviour perspective and not the brand perspective.

1.4 Research structure

This research is structured into six chapters – introduction (Chapter 1), literature review (Chapter 2), research methodology (Chapter 3), data analysis (Chapter 4), conclusion (Chapter 5) and recommendations (Chapter 6).

The first chapter will provide some background to this study, as well as introduce the research question and the research objectives. The second chapter will provide a detailed analysis of the current knowledge of marketing literature on customer loyalty, different types of loyalty, its antecedents and its behavioural outcomes. The literature review will also focus on relationship marketing strategies and loyalty programmes and their impact on customer loyalty. The third chapter will then introduce and justify the choice of research methodology used in this study. This is also where the research question and objectives will be further discussed and where research hypotheses will be developed. The fourth chapter will then provide a detailed analysis of the collected data, as well as the results and the findings of this study. The last two chapters, the conclusion and recommendations, will summarize how this study attempted to answer the research question and present its findings, as well as give recommendations for both managerial implications and future research in the independent coffee shop industry.

2 Literature review

2.1 Overview

This chapter aims to provide a detailed analysis of the current knowledge and previous research on customer loyalty, relationship marketing, and its impact on customer engagement and loyalty. The literature review is further divided into 5 sections, focusing on individual aspects of customer loyalty and relationship marketing, which are presented in the table below (Table 2.1).

Section number	Focus of the section
Section 2.2	Customer loyalty, with a special focus on customer loyalty in the hospitality industry
Section 2.3	Types of customer loyalty (attitudinal, behavioural and situational)
Section 2.4	Most common drivers of customer loyalty (antecedents of loyalty)
Section 2.5	Behavioural outcomes of customer-brand relationships (consequences of loyalty)
Section 2.6	Relationship marketing strategies, with a special focus on loyalty programmes

Table 2.1: Individual sections of the literature review

2.2 Customer loyalty

In today's highly competitive markets, customer loyalty emerges as the most important challenge faced by marketers (Alrubaiee and Nazer, 2010; Yoo and Bai, 2013). There are many definitions of customer loyalty in the marketing literature, but the most commonly accepted one seems to be Oliver's (1999). He defined loyalty as a deeply held commitment to repurchase a preferred product or service consistently in the future, causing repetitive same-brand purchasing, without submitting to any situational influences or marketing efforts which encourage switching behaviour. Customer loyalty therefore represents the basis of a strong, long-term customer-brand relationship (Bowen and Shoemaker, 2003). Advantages of such loyal relationships have been thoroughly discussed in the marketing literature (Tepeci, 1999; Gwinner

et al., 1998; Oliver, 2010; Ndubisi, 2004; Reichheld and Sasser, 1990). The most common benefits of such relationships have been identified as increased revenues for the firm, predictable sales and profit streams, reduced marketing and operating costs, which are typically used for attracting new customers, increased per-customer revenue growth, increase of word-of-mouth recommendations and of price premiums, as well as increased competitive advantage.

Researchers (Bowen and Shoemaker, 2003; Baloglu, 2002; Back and Parks, 2003) recognize two main concepts at the heart of a loyal relationship – trust and commitment. However, in order for them to evolve, customers' needs and expectations must first be satisfied. According to Oliver (1999), customer satisfaction and loyalty are inextricably linked. Customer satisfaction occurs when customers' pre-purchase expectations are met or even exceeded, which results in some level of post-purchase affect towards the service provider (Yang and Peterson, 2004). However, several researchers (Bowen and Shoemaker, 1998; Oliver, 1999; Bloemer and de Ruyter, 1999) have recognized that this relationship between loyalty and satisfaction is not symmetric; whilst loyal customers are typically satisfied, satisfied customers might not always become loyal. Bowen and Shoemaker (1998) explain that this might happen because customers are seeking for variety or are multi-brand loyal, or because they make consumption decisions based on other factors, such as convenience and price. Nonetheless, Oliver (2010) believes that satisfaction is necessary for loyalty to form, but becomes less so when loyalty is established through other sources, such as personal determinism and social bonding. It is widely believed (Mascarenhas, 2006; Tepeci, 1999; Back and Parks, 2003; Pi and Huang, 2010) that in saturated markets, businesses compete best when they combine both functional and emotional benefits of what they are offering to their customers. This is because ultimate loyalty emerges as a combination of perceived product and service superiority, as well as customer satisfaction and social bonding with the service provider (Oliver, 2010). Such emotional bonds between businesses and customers are difficult for competitors to imitate or break (Mascarenhas, 2006).

2.2.1 Customer loyalty in the hospitality industry

Faced with increasing competition, many hospitality businesses now recognize the importance of building long-term relationships with their existing customers that are built on trust and commitment (Yoo and Bai, 2013). Previous studies (Tepeci, 1999; Reichheld and Sasser, 1990) have shown that hospitality firms used to create value for customers through unique product and service features. However, more recent studies (Victorino et al., 2005; Solnet and Kandampully, 2008; Walls et al., 2011) have shown that most hospitality businesses now offer comparable, or even identical, products and services, and that the growth of hospitality businesses now depends on their ability to create unique, memorable and positive experiences for their customers. These experiences are most commonly created through engagement in personal face-to-face interactions (Kandampully et al. 2015).

Furthermore, as a mature industry, hospitality businesses must pursue market-share gains, rather than market-growth gains (Tepeci, 1999) and they can do so by increasing the size of their loyal customer base. It has been shown (Tepeci, 1999; Reichheld and Sasser, 1990) that acquiring new customers is more expensive than continuing to serve current customers, due to advertising and promotion expenses. Hospitality businesses have therefore been shifting emphasis from customer acquisition to customer retention through customer engagement and participation (Gustaffsson et al., 2006).

However, a question occurs of whether businesses in marketplaces, such as the hospitality one, which are characterised by increasing unpredictability, minimal or no product differentiation and heightened competitive pressures, can evolve a truly loyal customer base? Oliver (1999) identified some obstacles to customer loyalty in the hospitality industry. Firstly, he discussed consumer idiosyncrasies; customers in hospitality businesses, especially dining establishments, are variety seeking and even the more regular clientele will occasionally try new or different alternatives. Secondly, most customers in the hospitality industry are multi-brand loyal because of reasons such as

convenience, quality and price. Customers can also lose their loyal behaviour due to a change in needs or even complete withdrawal from the product category (i.e. they stop drinking coffee). And lastly, with very commonly purchased items, such as coffee, even truly loyal customers are more susceptible to switching incentives, as price is an important factor to them (Sivakumar and Raj, 1997).

It is therefore essential for hospitality businesses, such as coffee shops, to ensure that their business' offerings live up to their customers' expectations and that they are constantly reacting to their customers' needs (Walls et al., 2011). This will increase their customers' perceived value of products and services, which will in turn lead to further purchases (Yang and Peterson, 2004). However, it is important to note that repurchasing behaviour is not sufficient evidence of brand loyalty – this purchasing practice should be intentional and customer loyalty should develop as a combination of both positive attitudes towards the brand and repetitive purchases of their products and services (Tepeci, 1999).

It is important to note, however, that most of the current research on customer loyalty in the services industry has been conducted on more high-risk, high-value or luxurious businesses, such as hotels (Back and Parks, 2003; Crick and Spencer, 2011), banks (Ndubisi, 2007; Alrubaiee and Al-Nazer, 2010), casinos (Baloglu, 2002) and airlines (Pi and Huang, 2010; Sharp and Sharp, 1997). Only a moderate amount of empirical research has been conducted to examine the relationship between the drivers of purchasing behaviours and customer loyalty with regards to more low-risk, commonly purchased brands, whose customers are most commonly variety seeking, impulse buying or multi-brand loyal. Furthermore, it has also not yet been thoroughly researched how smaller and independent businesses selling commonly purchased items can build customer-brand relationships that will evolve into customer loyalty. Whilst some research has been conducted on the restaurant (Chang, 2013) and coffee shop sector (Duffy, 2005; Fournier and Yao, 1997), most of it has been focused on discussing either chain brands (Tu, 2012; Yuang and Wu, 2008), or only attitudinal aspects of customer loyalty (Chen and Hu, 2010). The

purpose of this study is to reduce this gap in the knowledge between high-value, luxurious brands and low-risk, frequently purchased brands, such as independent coffee shops. This study will therefore aim to contribute to the body of relationship marketing literature by providing a deeper understanding of the various attitudes and behaviours displayed by independent coffee shop customers through identifying what drives and impacts them.

2.3 Types of customer loyalty

Past researchers assumed that loyalty could be described solely by behavioural patterns, such as repeat purchasing, but when attitude-based models were proposed, such beliefs were put to rest and new representations of customer-brand relationships started to evolve (Oliver, 2010). Most researchers now identify three main types of customer loyalty – behavioural, attitudinal and situational loyalty (Table 2.2). The three identified types of loyalty will now be further discussed individually.

		Customer attitude	
		Low	High
Customer behaviour	High	Behavioural (spurious) loyalty	Attitudinal (true) loyalty
	Low	Situational (low) loyalty	Latent loyalty

Table 2.2: Types of customer loyalty based on customer attitudes and behaviours (adapted from Kandampully et al., 2015)

2.3.1 Behavioural loyalty

Behavioural loyalty is most commonly defined as a customer's overt behaviour towards a specific brand in terms of repeat-purchasing and usage patterns, and is often measured by previous purchases of one brand, as compared to its competing brands (Back and Parks, 2003; Mascarenhas, 2006). This type of loyalty is most frequently identified with customers who are buying on a routine or mundane basis and who do not need to develop a set of strong beliefs or attitudes towards brands, as long as these brands 'do their job' (Uncles et al., 2002). In such a relationship, a brand's function is valued more than its psychological or social value. Furthermore, if the usual brand is unavailable for any reason, then another, functionally similar brand will be purchased (Ehrenberg et al., 2004). However, Uncles et al. (2002) noted that a weak commitment to a limited number of brands in a product category can form over time.

Critics of this approach argue that because behavioural loyalty is expressed solely through repeated purchases, it is sometimes hard to distinguish between true loyalty and spurious loyalty (Dick and Basu, 1994; Baloglu, 2002).

2.3.2 Attitudinal loyalty

Many researchers argue that true loyalty cannot develop solely as the outcome of repeat purchase behaviour, but also because of strong attitudes towards a brand (Back and Parks, 2003; Bandyopadhyay and Gupta, 2004). Attitudinal loyalty is defined as an ongoing, committed and affective relationship with a brand, whose psychological and social values are appreciated more than its functional ones (Mascarenhas, 2006). Previous research (Pi and Huang, 2010; Baloglu, 2002; Gomez et al., 2006) has shown that such relationships grow stronger when they are built on trust, emotional commitment and attachment towards a brand or when consumption is associated with community membership. Attitudinally loyal customers are therefore much less susceptible to negative information about their preferred brands and are less likely to

succumb to switching incentives from other brands (Kandampully et al., 2015).

However, critics argue that this approach to loyalty is most applicable to high identity products, such as luxury goods and life choices, but is less applicable for understanding the buying of low-risk, frequently purchased items (Uncles et al., 2002). Because coffee can be identified as one such products, this study will aim to determine whether customers can develop some sort of attitudinal commitment towards independent coffee shop brands.

2.3.3 In between behavioural and attitudinal loyalties

Other researchers believe that loyalty is a biased behaviour that is expressed over time and relates to one or more brand alternatives, which is why neither behavioural nor attitudinal approaches alone are sufficient for measuring it (Walls et al., 2011; Dick and Basu, 1994). This type of loyalty is referred to as situational loyalty and is most often expressed as a contingent relationship with a brand (Mascarenhas, 2006). Uncles et al. (2002) further explain that according to the contingency approach, customer behaviour varies depending on the individual's characteristics and current circumstances, and is determined by the purchasing situation faced. Customer choices are therefore shaped by habit, budgets, time pressures, immediate product availability, different occasions and promotional deals - which are all weak attitudes and behaviours (Mascarenhas, 2006).

2.4 Antecedents to loyalty

Fournier and Yao (1997) established that different types of loyalty are driven by different factors and governed by different processes.

Yoo and Bai (2013), categorize the factors that influence customer loyalty into two big groups – internal and external factors. Internal factors are associated internally with the firm, and include drivers such as product and service quality, convenience, promotions and perceived economic and transaction costs (Duffy, 2003; Bowen and Shoemaker, 1998). External factors, on the other hand, relate to how consumers recognize the brand with respect to its

competition, and include drivers such as brand reputation, perceived value and perceived switching costs, satisfaction, commitment, trust and rapport between customers and employees (Yang and Peterson, 2004; Chen and Hu, 2010; Mattila, 2004; Duffy, 2003).

Kandampully et al. (2015), on the other hand, have shown that potential and occasional customers make their purchasing decisions based on functional drivers, such as convenience, brand reputation and image, promotions and fulfilment of basic psychological needs. Then, in order to develop a closer relationship with the brand, perceived value, perceived quality and switching costs come into play. And lastly, for committed customers to transform into emotionally loyal customers, they must be driven by emotional drivers, such as satisfaction, engagement in the service process, attachment, trust and affective commitment, which can then further develop into a long-term partnership with the brand (Tepeci, 1999; Mascarenhas, 2006). An examination of the interrelationships amongst these drivers will offer a greater understanding of the development of different loyal behaviours in the independent coffee shop market.

Furthermore, customers who engage in such long-term relationships with brands receive additional benefits in return that go above and beyond the core product or service performance. These benefits are referred to as relational benefits (Gwinner et al., 1998; Bowen and Shoemaker, 1998; Chen and Hu, 2010), and can be psychological, social, economic or customization benefits. Gwinner et al. (1998) have identified the psychological benefits as the feeling of security, reduced anxiety, trust and confidence in the service provider. They defined social benefits as personal recognition, familiarity or even friendship with the staff or business owners, and feelings of belonging to a community. Economic benefits have been identified as money savings or special pricing, and customization benefits are special treatment and special services that are unavailable to non-loyal customers (Chen and Hu, 2010).

It has been shown that one of the main reason why consumers become loyal to coffee shop chain brands, such as Starbucks and Costa, is their corporate reputation, built on the foundation of great products, great service, special treatment (i.e. Starbucks writing their customers' names on the coffee cups) and a welcoming atmosphere (Duffy, 2005; Tu et al., 2012). Strong corporate reputation enables these brands to build natural relationships with their customers, which ultimately creates long-term loyalty (Chang, 2013). Customers benefit from such relationships because they know exactly what to expect in terms of service and product quality, which creates an atmosphere of trust and confidence, and because they help create a sense of community (Duffy, 2005). Independent coffee shops, on the other hand, lack corporate reputation and therefore need to find other ways of attracting loyal customers. Helm et al. (2009) suggested that whilst corporate reputation might serve as an indicator of quality to some extent, it is believed to be less important when the direct product or service experience can outweigh its importance.

2.5 Consequences of loyalty

Despite the fact that consumers' loyal behaviour is driven by different factors, the consequences of the development of customer-brand relationships are always very similar (Bowen and Shoemaker, 1998; Cronin et al., 2000; Kandampully et al., 2015). As mentioned previously, loyal customers are also likely to be satisfied customers, and customer satisfaction induces positive post-purchase behaviour. According to Solnet and Kandampully (2008), these positive behavioural outcomes include increased product use and willingness to promote the brand. Cronin et al. (2000) have identified the post-purchase behaviour traits as positive word-of-mouth (WOM) and repurchase intentions, a large scope of relational benefits and increased perceived value. Kandampully et al. (2015) also talk about positive WOM recommendations, as well as about cooperation with the brand, increased share of wallet, willingness to pay more and increased profitability of the brand due to the reduction in operating and marketing costs. All in all, once customers have developed a loyal relationship with a brand, they continue to buy it in the

future, they recommend it to their friends and choose the brand's products or services over their competition, even when those cost less or have better features (Cronin et al., 2000).

2.6 Relationship marketing

It is essential for businesses to identify exactly what antecedents are driving their customers towards brand loyalty, as they require tailored marketing strategies for their development and management over time (Fournier and Yao, 1997). All marketing activities directed toward establishing, developing and maintaining successful customer-brand relationships are referred to as relationship marketing (Ndubisi, 2007; Alrubaiee and Al-Nazer, 2010; Pi and Huang, 2010). Relationship marketing strategies focus on changing marketing orientation from short- to long-term relationships between businesses and customers that are rewarding for both sides (Pi and Huang, 2010). Whilst the focus of more traditional marketing is on single sales and product features, with little emphasis on customer service and meeting customer expectations, relationship marketing is focused on customer retention and on creating value for business' customers (Bowen and Shoemaker, 1998). Sharp and Sharp (1997) describe such marketing as defensive, as it is focused on holding onto existing customers, rather than on acquiring new ones. Reichheld and Sasser (1990) have shown that a small increase in the size of a loyal customer base can result in a significant increase in business profitability. ranging between 25 and 125%. As a result, businesses can attain both higher competitiveness and higher customer satisfaction (Pi and Huang, 2010). For that reasons, relationship marketing has become a particularly important topic in the service industry, as its marketplaces are often overpopulated and hypercompetitive (Shoemaker and Lewis, 1999).

Most commonly used marketing activities aiming to positively impact repeat-purchase loyalty are advertising, sales promotions, price reductions and increase in service quality (Sharp and Sharp, 1997). However, truly loyal, established customers who have developed a long-lasting relationship with a

brand will expect to gain more than just economic benefits out of them. They will expect to receive social and psychological benefits, as well as additional services and preferential treatment that are usually unavailable to non-loyal customers (Gwinner et al., 1998). However, with some goods, such as coffee, wine, restaurants and magazines, consumers tend to be more multi-brand loyal (Uncles et al., 2002). As mentioned before, this happens because consumers are variety seeking, or are more prone to switching behaviour, or because they make their purchasing decisions based on other factors, such as convenience or price. The challenge with such consumers is not making them single-brand loyal, but to be convincing enough to make them reduce their repertoire of brands (Uncles et al., 2002). For example, if they regularly go to six different coffee shops, the challenge for marketers would be to reduce this number down to two or three. It is important to note that all such relationship marketing efforts must be real and tangible and must make sense, because only businesses that build their brands around an experience that naturally builds customer loyalty can dominate in the marketplace (Duffy, 2005).

2.6.1 Loyalty programmes

One of the most common ways in which relationship marketers seek to build a loyal customer base is through various loyalty or reward programmes. Loyalty programmes are defined as structured marketing efforts which reward and encourage loyal behaviour that is beneficial for businesses and their customers (Sharp and Sharp, 1997). It has been shown (Gomez et al., 2006) that customers who engage in loyalty programmes show changes in repeat-purchase loyalty, which are not evident amongst customers who do not participate in them. Some of these changes have been identified as increased repeat-purchase rates and usage frequency, higher levels of cross-selling, decreased switching to other brands and increased single-brand loyalty (McCall and Voorhees, 2010). Furthermore, Payne et al., (2009) found that individuals feel a sense of community when they share the same or similar consumption behaviours with others and that loyalty programmes can provide them with this sense of participation.

Researches generally distinguish two different types of loyalty programmes (Sharp and Sharp, 1997; McCall and Voorhees, 2010). The first type, also referred to as frequency programmes (Shoemaker and Lewis, 1999), are more short-term in nature and are based on frequency rewards, such as points, which can be exchanged for free or discounted products after a certain number of visits (Figure 2.1).

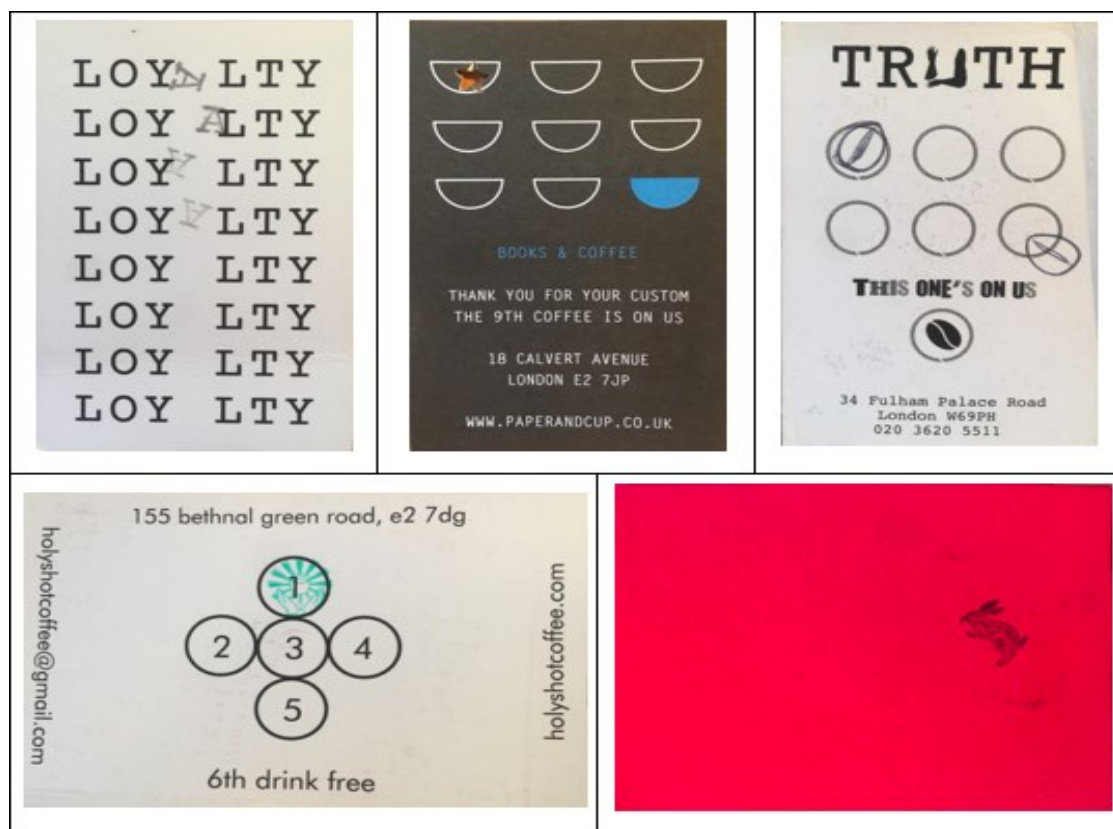


Figure 2.1: Examples of independent coffee shop loyalty programmes based on frequency rewards

The second type of loyalty programmes are more long-term in nature and they focus on building an emotional attachment to the brand (Tanford et al., 2010). They aim to achieve so by offering special benefits, such as customized recognition, emotional 'trophy' rewards and tailored offers and messages (Table 2.3; Figure 2.2), to the most loyal customers (McCall and Vorhees, 2010). However, the danger with frequency programmes is that customers tend to focus only on the end reward, rather than on product or brand superiority, and are therefore more likely to revert to their old consumption

behaviour after the short-term promotion has ended (Sharp and Sharp, 1997). Conversely, loyalty programmes aim to lock customers into a certain standard and thus prevent customer defections (Shoemaker and Lewis, 1999). According to McCall and Voorhees (2010), such loyalty programmes typically attract heavy buyers of the category, whereas lighter buyers are more attracted to frequency rewards.

The most effective loyalty programmes therefore do not only increase repeat-purchase rates, but also aim to build an emotional attachment to the brand. This consequently allows the formation of closer customer-brand relationships and enables brands to get a better insight into customer behaviour.

Type of benefits	Examples
Soft	<ul style="list-style-type: none"> • Relevant experiences tailored to customer preferences • Recognition of customers by staff/business owners • Personalized service • Complimentary products
Tiered	<ul style="list-style-type: none"> • Exclusive access to products and services • Top tier, elite customers receive more benefits

Table 5: Examples of loyalty programmes based on special benefits

However, some researchers (Sharp and Sharp, 1997; Duffy, 2005) believe that in practice, loyalty programmes tend to reward only behaviour, and not attitudes. According to Duffy (2005), great businesses build strong brands which leads to loyalty, but this loyalty is naturally created over a long period of time and not through marketing efforts, such as loyalty programmes. This study will therefore aim to discover whether independent coffee shop loyalty or reward programmes do have some kind of an effect on their customers' loyalty.

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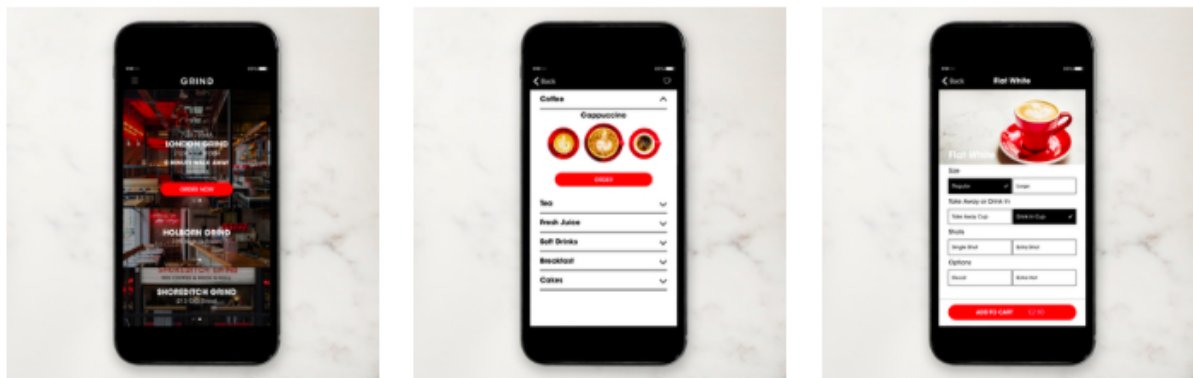


Figure 2.2: Grind's (independent coffee shop in London) loyalty app, based on special benefits

3 Methodology

3.1 Overview

In this chapter, the study moves on from the discussion of the research area to the formulation of the research question and research objectives, as well as to the choice of research methods and the formulation of the research design. This chapter is further divided into six sections, in which the choice of the selected research methodology will be discussed. An outline of the contents of each individual section is presented in the table below (Table 3.1).

Section number	Focus of the section
Section 3.2	Research question, research objectives and hypotheses development
Section 3.3	Research methods, including research philosophy and research approach
Section 3.4	Research design, including research methodology, research strategy, questionnaire development, sampling technique and data analysis method
Section 3.5	Research reliability and research ethics
Section 3.6	Research limitations and challenges

Table 3.1: Individual sections of Chapter 3

3.2 Research question and hypotheses development

Bryman and Bell (2015) emphasize the importance of the development of a specific research question, which serves as the basis of a research investigation and determines the choice of its direction, focus and design. This section will therefore discuss the research question and the research objectives supporting it, and use them to develop the research hypotheses. The main question this research aims to answer is:

What are the key drivers of customer loyalty of independent coffee shops in London's coffee shop market?

This question was developed due to the researcher's interest in gaining a better understanding of how independent coffee shops survive in such a saturated and crowded market place as is the London coffee shop market. To help answer this research question, a set of research objectives was developed (Table 3.2). According to Saunders et al. (2012), developing a set of research objectives leads to greater specificity regarding the research question and helps guide the development of the research design.

Research objectives

- 1) to identify which type of loyal customer (attitudinally, behaviourally, situationally loyal) prevails in the independent coffee shop market,
- 2) to identify what drives customers into being loyal to independent coffee shops (antecedents of loyalty), what follows the development of such customer-brand relationships (consequences of loyalty), and how these differ from the drivers of loyalty to chain coffee shop,
- 3) to determine the effect of relationship marketing strategies, such as loyalty programmes, on customer loyalty of independent coffee shop customers, and
- 4) to detect good practices in loyalty-building strategies for independent coffee shop managers.

Table 3.2: Research objectives

In order to answer the research question and meet the research objectives, a set of hypotheses was developed (Table 3.3). Hypotheses were developed based on previous research on customer loyalty, customer loyalty in the hospitality industry, and on relationship marketing strategies and their effect on customer engagement and loyalty.

Research objective		HYPOTHESIS
RO 1	H1	Independent coffee shop customers are less likely to exhibit attitudinally loyal traits.
	H2	Emotional attachment to the brand has a significant effect on the level of customer loyalty.
RO 2	H3	Emotional commitment to the brand significantly increases the level of relational benefits received.
	H4	When independent coffee shop customers do exhibit attitudinally loyalty traits, their loyalty is significantly driven by both functional and emotional drivers.
	H5	Customer satisfaction positively influences post-purchase behaviour.
RO 3	H7	Participation in loyalty programmes increases repeat-purchase loyalty.

Table 3.3: Research hypotheses

The first research objective (RO1) looks to identify which type of loyal customer prevails in the independent coffee shop market (attitudinally, behaviourally or situationally loyal). Previous research showed that customers are less likely to become attitudinally loyal when it comes to the buying of low-risk, frequently purchased items, or when customers are impulse buying or variety seeking (Uncless et al., 2012). As coffee can be identified as one of such products, hypothesis H1 was developed. Furthermore, it is believed that true loyalty emerges as a combination of perceived product superiority and social bonding, which creates an emotional attachment to the brand (Mascarenhas, 2006; Yoo and Bai, 2013). Thus hypothesis H2 was developed.

The second objective (RO2) then seeks to identify the key drivers of different loyal behaviours, and what follows the development of such customer-brand relationships. Previous research showed that when brands go above and beyond their core function (i.e. product performance), their customers are more likely to become emotionally loyal and build long-term relationships with them (Chen and Hu, 2010). Because of this emotional commitment, customers

are more likely to receive additional benefits in return. Consequently, hypothesis H3 and H4 were developed. Additionally, it has been shown that loyal customers are also likely to be satisfied customers, especially when their pre-purchase expectations have been met or exceeded, and are therefore more likely to engage in post-purchase behaviour, such as word-of-mouth recommendations (Cronin et al., 2000; Solnet and Kandampully, 2008). For that reason, hypothesis H5 was established.

The third objective (RO3) focuses on the impact of relationship marketing strategies, such as loyalty programmes, on customer engagement and loyalty. Previous research showed that the focus of relationship marketing strategies is to establish, develop and maintain successful customer-brand relationships (Ndubisi, 2007). One of the ways in which they do so is through loyalty programmes, which aim to build an emotional attachment to the brand by increasing repeat-purchase loyalty (Sharp and Sharp, 1997). Consequently, hypothesis H6 was developed.

The last objective (RO4) will be discussed in the recommendations section. This is because the best practices in loyalty building strategies can only be identified after the data analysis has been completed.

3.3 Research methods

Once the hypotheses have been formulated, the focus of the study moves to the research methods. According to Saunders et al. (2012), the research method selection process can be best illustrated as an 'onion' (Figure 3.1). This study will initially focus on examining the outer layers of the 'onion' (research philosophy and research approach), followed by the analysis of its inner layers (research methodology, strategy, techniques and procedures).

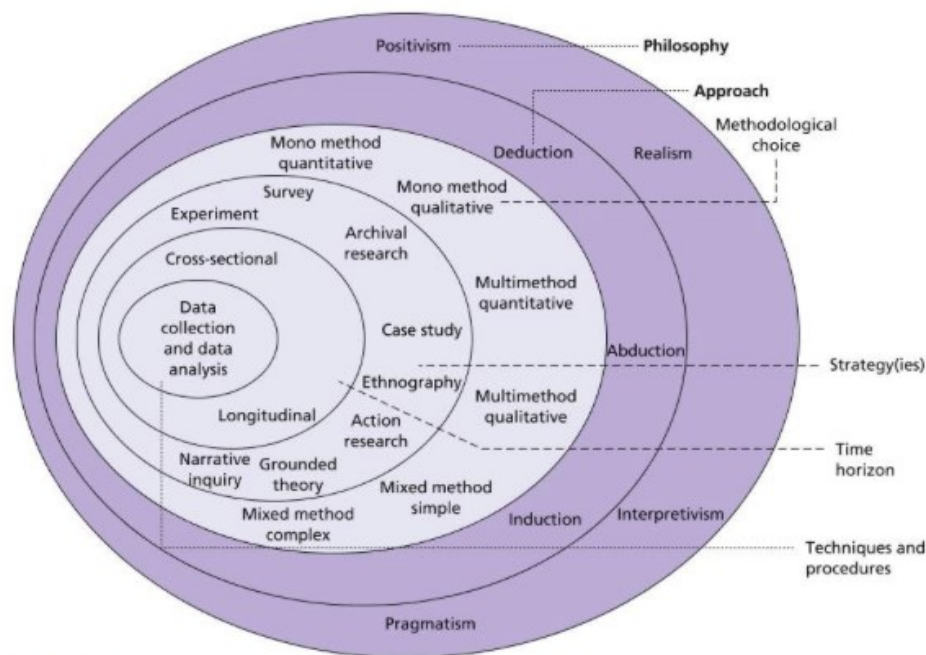


Figure 3.1: The research 'onion' (Saunders et al., 2012)

3.3.1 Research philosophy and approaches

Research philosophy relates to the development of knowledge and the nature of that knowledge, which consequently affects the entire design of the study (Saunders et al., 2012). The two most commonly used research philosophies are positivism and interpretivism (Bryman and Bell, 2015).

Positivism is the dominant approach in business studies and is most commonly defined as the approach that adopts the philosophical stance of the natural sciences to the study of social reality (Bryman and Bell, 2015; Saunders et al., 2012). Positivists collect data about observable realities in a structured,

objective and value-free way, and then search for regularities and causal relationships in the collected data to create law-like generalizations (Gill and Johnson, 2010). According to the positivist approach, the existing theory is studied and used to develop hypotheses, which are then tested and either confirmed or rejected, which leads to the development of new theory (Saunders et al., 2012). Such an approach to research is referred to as the deductive approach (Figure 3.2), and is most commonly used when applying general knowledge to a more specific field (Bryman and Bell, 2015).

The alternative approach to positivism is interpretivism. According to interpretivism, social sciences are fundamentally different from natural sciences (Gill and Johnson, 2010). In other words, whilst the positivist approach aims to explain human behaviour, the interpretivist approach wants to understand it through subjectively interpreting people's beliefs and their view of the world (Saunders et al., 2012).

The process of deduction

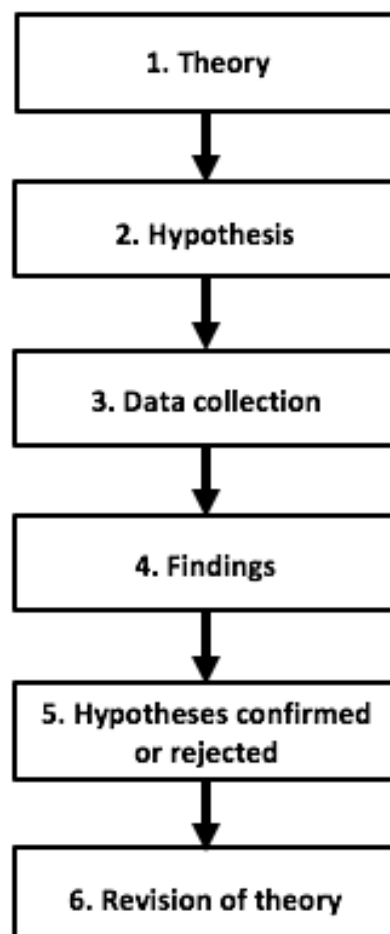


Figure 3.2: The deductive approach to research (Bryman and Bell, 2015)

As this study is only interested in observable phenomena and facts, the most appropriate research philosophy for it is positivism. The research will be conducted in an objective, value-free way, and all the knowledge will be collected through facts, which will provide law-like generalizations (Bryman and Bell, 2015). As well as that, this study will follow the deductive approach by applying previous knowledge of customer loyalty and relationship marketing strategies to the example of independent coffee shops in London.

3.4 Research design

Research design is a general plan of how the researcher goes about answering the research question (Saunders et al., 2012). At this point, the study moves to the analysis of the inner layers of the 'onion' (*Figure 3.1*) – research methodology (*Section 3.4.1*), research strategy (*Section 3.4.2 and 3.4.3*) and research techniques and procedures (*Section 3.4.5*). The choice of these will depend on the previously selected research philosophy (positivism) and research approach (deductive). The purpose of the research design is to specify the samples from which the data will be collected, as well as how it will be collected and analysed (Saunders et al., 2012). Any reliability and ethical issues or constraints encountered during this process will be discussed at the end of this chapter (*Sections 3.5 and 3.6*).

3.4.1 Research methodology

The research methods employed in studies are generally either quantitative, qualitative, or a combination of both methods (Table 3.4). The research methodology that is most commonly associated with both positivism and the deductive approach is quantitative research (Saunders et al., 2012; Bryman and Bell, 2015). The most distinguishable features of this method are examination of the relationship between numerically measured and statistically analysed variables, the incorporation of controls to ensure data validity and the use of probability sampling techniques to ensure generalizability (Saunders et al., 2012).

Quantitative data	Qualitative data
Based on meanings derived from numbers	Based on meanings expressed through words
Collection results in numerical and standardized data	Collection results in non-standardized data requiring classification into categories
Analysis conducted through the use of diagrams and statistics	Analysis conducted through the use of conceptualization

Table 3.4: Fundamental differences between quantitative and qualitative research methodologies (Saunders et al., 2012)

As the aim of this study is to capture a broad variety of coffee shop loyalty-related behaviours, the quantitative method is most appropriate for the measurement of such large, highly structured samples of numerical data.

3.4.2 Research strategy

After choosing the appropriate research methodology, we peel of the next layer of the 'onion' and look at the choice of research strategy.

There are several different research strategies, but quantitative research is most commonly associated with experimental or survey strategies, which are generally conducted through the use of questionnaires or structured interviews (Saunders et al., 2012). According to Bryman and Bell (2015), survey strategies are most appropriate to identify people's behaviours and attitudes, as well as to gather information about their background.

The aim of this study is to identify a variety of loyal behaviours, so using a survey was the most appropriate choice. As the primary data collection strategy, this study initially used the field survey method, which was selected in order to collect information directly from individuals at the independent coffee shop setting. However, this method proved to be too time-consuming and expensive, so the study proceeded to using a self-administered, web-based questionnaire (identical to the one used in the field). According to Saunders et al. (2012), using a self-completed questionnaire is more time and cost efficient, as it enables the collection of a large and geographically

dispersed sample, which increases the reliability of the data. Furthermore, surveys are easy to explain and understand, and the responses are easily compared, which gives the researcher more control over the research process (Bryman and Bell, 2015). Such a research design is also referred to as cross-sectional (Sreejesh et al., 2014), as it studies a particular phenomenon (customer loyalty of independent coffee shops) at a particular time (fifth coffee wave).

3.4.3 Questionnaire development

By determining the exact data that needs to be collected and how it will be analysed, a solid questionnaire can be developed, which will enable answering the research question and meeting the research objectives (Sreejesh et al., 2014). The data collected through a questionnaire can then be used for either descriptive or explanatory purposes.

According to Sanders et al. (2012), descriptive research enables the identification of variability in different phenomena, whilst exploratory research enables the examination of different relationships between variables. This study uses both approaches; it uses the former to describe the multidimensional aspects of customer loyalty in the independent coffee shop market, and the latter to examine the relationship between customer attitudes and behaviours, as well as relationship marketing strategies and customer loyalty. In order to collect a big enough sample, the questionnaire will aim to collect three types of data variables – opinion, behaviour and attribute (Table 3.5). According to Dillman (2007), these variables are used to ensure that the collected data is representative of the total population.

Type of data variable	Opinion	Behaviour	Attribute
Type of data collected through this variable	<p>How do respondents feel about something?</p> <p>What do respondents believe is true and what false?</p>	<p>What did the respondents do in the past?</p> <p>What will the respondents do now?</p> <p>What will the respondents do in the future?</p>	<p>What are the respondent's characteristics, i.e. age, gender, marital status, education, occupation, income, etc.?</p> <p>How do the opinions and behaviour between respondents differ?</p>

Table 3.5: Types of data variables (Saunders et al., 2012)

As the data was initially collected through a field survey, it was important for the questionnaire to be short and clear. The researcher therefore developed a questionnaire which consists of 22 questions and uses a mixture of both open- and close-ended questions. Additionally, a filter questions was inserted at the start of the questionnaire, asking whether the participant has been to the independent coffee shop before, to ensure that only independent coffee shop customers are responding. The outline of the questionnaire and a completed survey sample are provided in the appendix (Section 8.2).

3.4.4 Sampling technique

According to Sanders et al. (2012), sampling techniques are used to reduce the amount of data that needs to be collected by considering data from a selected group only, rather than all possible cases (also referred to as the population). Due to considerations of this study's population size, available time and financial resources, it was essential to develop a solid sampling strategy.

Sampling techniques are generally divided into two types – probability or randomized sampling and non-probability sampling (Bryman and Bell, 2015;

Saunders et al., 2012). For the purposes of this study, non-probability sampling has been selected. This sampling technique further offers several different methods, such as quota, purposive and convenience sampling (Saunders et al., 2012). This study will use purposive sampling. The literature suggests that this sampling technique is used when the researcher uses his or her judgment to select cases that are most appropriate for their study (Saunders et al., 2012; Neuman, 2014). This sampling technique thus enables the researcher to study cases that are particularly informative.

The participants for this study will be chosen by the researcher at specific locations in London. The researcher will be waiting on the streets nearby selected independent coffee shops during all operating hours and will use their judgment to identify and approach potential study participants. The table below shows the researcher's selection criteria (Table 3.3).

Purposive sampling criteria

-
- 1) Is the person seen carrying a branded take-away cup or bag from the selected independent coffee shop?
 - 2) Has the person been seen entering or exiting the selected independent coffee shop?
 - 3) Has the person been observed engaging in personal interactions with the coffee shop staff?
-

Table 3.6: Purposive sampling criteria used in this study

3.4.5 Data analysis method

The last layer of the 'onion' focuses on identifying the most appropriate techniques and procedures for the analysis of the collected data. As this study uses the quantitative research method, quantitative analysis has been identified as the most suitable technique for the presentation, description and examination of relationships and trends within the collected data (Saunders et al., 2012).

This study will use the IBM SPSS statistical software, to conduct a variety of quantitative data analyses. The techniques included in this research will be univariate, bivariate and multivariate analysis. Univariate analysis uses frequency tables and measures of central tendency and dispersion to examine the trends within a single variable, whilst bivariate analysis uses contingency tables, correlations and analysis of variance to examine the relationships between two variables (Pallant, 2013). Multivariate analysis, on the other hand, uses several more complex techniques, such as multiple regression and factor analysis, to analyse the relationships between two or more variables (Sreejesh et al., 2014). As this study will employ a combination of these techniques, the choice of which will depend on the type of variables used to test the research hypotheses, each individual method will be further discussed in the corresponding section of the data analysis chapter (Chapter 4.0).

3.5 Research reliability and research ethics

Research reliability is a criteria used for the evaluation of measures of concepts in a study. Concepts can be best defined as building block of theory around which research is conducted (Sreejesh et al., 2014). In order for concepts to be used in quantitative research, they need to be measured and presented in the form of variables (Bryman and Cramer, 2011). Research reliability thus concerns the consistency of measures, which serve as indicators of whether the findings of a study are repeatable (Sreejesh et al., 2014). Most researchers (Bryman and Cramer, 2011; Bryman and Bell, 2015) working with quantitative data test the internal reliability of their studies with the *Cronbach's alpha* test. As this study employs multiple-indicators as measures, it will use the same concept to ensure internal reliability is achieved.

Ethics is another important concept concerning business research, especially when human participants are involved. According to Bryman and Bell (2015), ethical issues revolve around concerns with regards to how research participants should be treated and whether there are any activities that researchers should or should not engage in with them. Neuman (2014) further

identifies four main areas of ethical concern in business research: harm to participants, lack on informed consent, invasion of privacy and participant deception.

Before the start of the data collection process, ethical approval was obtained from the University of East London's School Research Ethics Committee (see Appendix 8.1). Before the start of the data collection process, potential participants were provided with information about the study, as well as given a consent form to sign and a participant information letter to keep. This prevented any deception from occurring. Additionally, the collected data was anonymous and only available to the researcher, who kept it in a password protected file. Participants were able to withdraw from the study at any given time, in which case their data was not used for research. Participants were also not exposed to any risks or distress during or as a consequence of this study.

3.6 Research limitations and challenges

Several limitations and challenges were encountered during the research process, notably during the data collection stage.

This study was limited with regards to time, cost and access. Due to the nature of the study, the researcher could only target a very specific group of potential participants (independent coffee shop customers in the London area). The time frame for data collection was only three weeks, which is why the survey type was changed half-way through, in order to increase the speed and efficiency of the process. Despite that, the response rate was still very slow. According to Bryman and Bell (2015), when using self-administered questionnaires, the risk of them coming back incomplete is higher as well. With more time and resources, the researcher would have been able to gain a larger sample size, which would have enable a deeper insight into the customer loyalty phenomenon.

This study was also challenged by other limitations of the quantitative research method. Researchers (Bryman and Bell, 2015; Saunders et al., 2012) believe that the analysis of the relationships between variables can create a static view of social life, which is not connected with individuals' lives. The quantitative measurement process also presumes that when participants respond to questions, they interpret the key terms in them similarly, when in reality, they might not. Additionally, because this study used the purposive sampling method, the researcher was unable to make generalisations to the population (Bryman and Bell, 2015).

And finally, as this study initially employed the field survey method, the developed questionnaire had to be short and to the point. However, according to Saunders et al. (2012), it is hard to understand the full scope of attitudes and behaviours just through a short questionnaire. The study could therefore have complemented the questionnaire with several in-depth interviews to further explore and understand these concepts.

4 Data analysis

4.1 Overview

Having presented the current knowledge of the marketing literature on customer loyalty and relationship marketing strategies along with the research methodology employed in this study, this next chapter moves to the analysis of the collected data and to the presentation of the findings of the study. The contents of the individual sections of this chapter are presented in the table below (Table 4.1).

Section number	Focus of the section
Section 4.2	Sample characteristics, including sample size and the socio-demographics of the questionnaire respondents
Section 4.3	Data findings and analyses results
Section 4.4	Discussion of findings

Table 4.1: Individual sections of Chapter 4

4.2 Sample characteristics

The data for this research was collected during a three-week period, starting on the 18th July and ending on the 8th August 2018. During the first two weeks, data was collected on the streets in front of selected independent coffee shops in the London area (for the coffee shop selection criteria see Table 4.2). All the selected independent coffee shops were situated nearby chain or other independent coffee shops, so that customers always had more than one option to choose from. As mentioned previously, the field survey method was employed to collect data from independent coffee shop customers, who filled in a self-administered questionnaire face-to-face with the researcher. This method helped prevent any surveys coming back incomplete. However, due to time pressures, financial constraints and the low response rate, this study moved on to using a web-based, self-administered questionnaire. Through the two survey methods employed, this study

collected 45 and 40 responses respectively. After filtering out all the invalid questionnaires with missing values or invalid responses (i.e. under 18, not an independent coffee shop customer), the study was left with 77 valid responses from 34 independent coffee shops (Table 8.2).

Independent coffee shop selection criteria

- 1) The independent coffee shop was featured in the 2018 London Coffee Guide (<http://www.londoncoffeeguide.com/>)
- 2) The independent coffee shop was recommended to the researcher, or the researcher knew of it or found it randomly
- 3) The independent coffee shop brand does not have over 3 outlets
- 4) The independent coffee shop is in close proximity to other independent or chain coffee shops

Table 4.2: Independent coffee shop selection criteria employed in this study

With regards to the participant's socio-demographics, 52% of the participants were female and 48% male (Figure 8.2). Nearly 55% of all participants were in the 25 to 34 age group (Figure 8.3), which is the group that is most commonly associated with mature students and young working professionals. With regards to the level of education, nearly half (48%) of all participants have a Bachelor's Degree, followed by 36% of participants with a Postgraduate Degree (Figure 8.4). Occupation wise, 31% of participants were supervisory or junior management and 29% were skilled manual workers (Figure 8.5). Based on these socio-demographics, we can conclude that a regular independent coffee shop customer is most likely to be a well-educated young professional, aged between 25 and 34. The overview of the socio-demographic characteristics of participants can be found in the appendix (Table 8.1).

4.3 Data findings and analyses results

Having established the sample size and characteristics, this study can now move onto testing the research hypotheses. In order to be able to answer the research question and meet the research objectives, this study uses a set of variables, which have been assigned to individual hypotheses. The table below (Table 4.3) shows the variables used in this study and explains how they have been defined and how they will be measured.

Variable	Variable definition	Variable measures
Customer loyalty	Customers are willing to re-purchase and purchase other items and to refuse visiting the coffee shop's competition	<ul style="list-style-type: none"> • Frequency of visitation • This is my primary coffee shop • This is my favourite coffee shop • I prefer this coffee shop to a chain coffee shop • I feel like this is 'my coffee shop'
Emotional attachment	The degree of customers' feelings, moods and emotional responses to the coffee shop brand	<ul style="list-style-type: none"> • This is my favourite coffee shop • I have developed personal relationships with the coffee shop owners and/or staff • I engage in personal interactions with members of staff and/or the owner(s) • I feel a sense of belonging to their community • Visiting this coffee shop is an engaging and memorable experience
Emotional commitment	The degree of customers' reliance on the trustworthiness of the coffee shop brand	<ul style="list-style-type: none"> • I feel emotionally committed to this coffee shop and have positive feelings or beliefs about it • I feel like I am important to them • I feel respected and appreciated there
Satisfaction	The degree of satisfaction with the coffee shop and its brand	<ul style="list-style-type: none"> • I feel satisfied with this coffee shop • I find this coffee shop brand impressive

Post-purchase behaviour	Any behaviour that develops after and as a result of the purchasing situation	<ul style="list-style-type: none"> • I would recommend this coffee shop to others
Loyalty programme participation	Customers willingness to participate in the loyalty or reward programme offered by the coffee shop	<ul style="list-style-type: none"> • I am aware of their loyalty or reward programme • I visit this coffee shop because of their attractive loyalty or reward programme • I participate in their loyalty or reward programme
Relational benefits	Any benefits received as a result of customers engaging in continuing relationships with the coffee shop, its owners and/or its staff	<ul style="list-style-type: none"> • I receive personalized service at this coffee shop • I get recognized by staff when I walk into the coffee shop • I have developed relationships with members of staff and/or the owner(s) • I engage in personal interactions with members of staff and/or the owner(s)

Table 4.3: Definition and measurements of variables employed in this study

To examine the relationships between variables, the IBM SPSS statistical analysis software will be used. According to Bryman and Cramer (2011), the advantage of using this software is that it enables the researcher to score and analyse quantitative data very quickly and in many different ways, as it simplifies the use of more complex statistical techniques. This study will use the IBM SPSS software to conduct univariate, bivariate and multivariate analyses. Univariate analysis will be used to study the participants' socio-demographics, whilst bivariate and multivariate analyses will be used to study different types of loyalty groups, as well as the relationships between the drivers of loyal behaviours, relationship marketing strategies and customer loyalty. According to Hardy and Bryman (2004), through exploring relationships between variables, researchers can find evidence that the variation in one variable causes variation in another. In order to reduce and summarize the collected data, frequency tables, measures of central tendency and contingency tables will be used along with other methods, including the

chi-square test, Cramer's V and Spearman's rho methods, which will be explained later on.

In the following sections, this study will aim to answer the research question and meet the research objectives by either confirming or disproving the research hypotheses through the use of the above analyses and methods.

4.3.1 Findings regarding the types of loyal customers (RO1, H1)

The first research objective set for this study was to identify which type of loyal customer prevails in London's independent coffee shop market. To support this objective, the following hypotheses were developed:

- | | |
|-----------|--|
| H1 | Independent coffee shop customers are less likely to exhibit attitudinally loyal traits. |
| H2 | Emotional attachment to the brand has a significant effect on the level of customer loyalty. |

To assess the degree of loyal behaviours displayed, participants' attitudes and behaviours towards independent coffee shops will be measured. Attitudes and behaviours will be measured based on the criteria displayed in the table below (Table 4.4). A mean of the responses to the questions for each variable construct were used to develop an overall score for that variable (for individual variable measures see Table 4.3). The data analysis for this section was then conducted in several steps through SPSS. Firstly, this study conducted a hierarchical cluster analysis to identify the number of loyalty groups in the data. Secondly, this study applied the multiple discriminant analysis (MDA), followed by the multivariate analysis of variance (MANOVA) to determine the classification and type of the identified loyalty groups.

Variables

Attitudes	<ul style="list-style-type: none"> • Emotional attachment • Emotional commitment • Satisfaction
Behaviours	<ul style="list-style-type: none"> • Primary coffee shop • Frequency of visitation

Table 4.4: Criteria for the measurement of loyal behaviours displayed by independent coffee shop customers

Before conducting the cluster analysis, all variables were standardized by averaging Z-scores to ensure they are all contributing equally to the similarity between cases (Baloglu, 2002). Because of missing data, a total of 67 cases were used in the cluster analysis. The analysis was set to compute solutions from two to four clusters, by employing Ward's method and squared Euclidean distance. After an examination of the dendrogram, cluster memberships and sizes, a three-cluster solution was found to be the most suitable for this analysis (see Appendix 8.4.2). In order to ensure the suitability of the selected dataset, the study tested for Bartlett's test of sphericity, which was significant ($p < 0.05$). The dataset has been identified as suitable, which also showed that MANOVA is appropriate for the analysis (Pallant, 2013).

Next, the study moved on to determining the clusters' classifications and type. The results of MDA and MANOVA showed distinctive characteristics of each cluster. Tabachnik and Fidell (2007) suggested that both of these analysis techniques should be used together, as MANOVA tests the overall difference across groups, whereas MDA provides the discriminant loadings of the variables that differentiate across groups. The overall MANOVA tests of Pillai's Trace and Wilks's Lambda were significant ($p = .000$). MDA produced two discriminant functions (Function 1 and Function 2), which respectively explain 93.5% and 6.5% of the total variance amongst the clusters. The clusters were found to be statistically significant ($p = .000$). The Wilks's Lambda test ($p > 0.005$) showed that the set prediction model was statistically significant, and the Box's M test results ($p > 0.001$) showed that there is equal variance

amongst clusters. The discriminant loadings and group centroids showed that Function 1 discriminates Cluster I from Clusters II and III, with emotional commitment and emotional attachment as the most discriminating factors. Function 2, on the other hand, discriminates Cluster II from Clusters I and III, with customer satisfaction, frequency of visitation and primary coffee shop as the most discriminating factors (see Table 4.5).

	Discriminant Loadings	
	Function 1	Function 2
Emotional commitment	.399*	.089
Emotional attachment	.568*	-.528
Customer satisfaction	.318	.495*
Frequency of visitation	.258	-.272*
Primary coffee shop	.288	.304*
Group centroids		
Cluster I	3.4	-0.79
Cluster II	0.29	0.61
Cluster III	-3.6	-0.56
Eigenvalue	6.15	0.43
Percentage of variance	93.5%	6.5%
Canonical correlation	0.93	0.55
Wilks's Lambda	0.098	0.7
Chi-square	144.133	22.153
Significance	0.000	0.000

Table 4.5: Summary results of the multiple discriminant analysis (MDA)

The classification results (Table 4.6) showed that 97% of original grouped cases were classified correctly, which indicates a substantially high classification accuracy. All attitudinal and behavioural variables were also significantly differentiating between clusters ($p = .000$), as seen in Table 4.7.

Cluster	No. of cases	Predicted group membership		
		I	II	III
Cluster I	15	15 100%	0 0%	0 0%
Cluster II	35	1 2.9%	34 97.1%	0 0%
Cluster III	17	0 0%	1 5.9%	16 94.1%

Table 4.6: MDA classification results

Table 4.7 shows the loyalty characteristics of the three identified groups based on the calculated mean scores and standard deviations of attitudinal and behavioural variables. Emotional commitment, attachment and primary coffee shop variables were measured on a scale from 1.0 to 2.0, whilst customer satisfaction and frequency of visitation were measured on a Likert type scale from 1.0 to 10.0 and 1.0 to 6.0 respectively. Cluster 1, which represents 22% of participants, exhibits characteristics of attitudinally, or truly loyal customers, as it shows high levels of both attitudinal and behavioural loyalty. Cluster II, which represents the highest proportion of all participants with 53%, exhibits characteristics of behaviourally, or spuriously loyal customers, by showing high levels of behavioural, but lower levels of attitudinal loyalty. Cluster III, which represents the last 25% of participants, exhibits characteristics of situational, or low loyalty, as it shows low levels of both behavioural and attitudinal loyalty.

	Attitudi- nally loyal (Cluster I) (n=15, 22%)	Behaviour- ally loyal (Cluster II) (n=35, 53%)	Situatio- nally loyal (Cluster III) (n=17, 25%)		
Attitudinal variables	<i>Mean Scores and (Standard Deviations)</i>			F	Sig.
Emotional commitment	1.7 (0.25)	1.4 (0.25)	1.1 (0.18)	31.5	.000
Emotional attachment	1.8 (0.15)	1.4 (0.21)	1.1 (0.12)	67.3	.000
Customer satisfaction	9.3 (0.68)	9.0 (0.98)	6.9 (1.68)	23.3	.000
Behavioural variables	<i>Mean Scores and (Standard Deviations)</i>				
Frequency of visitation	4.5 (0.92)	3.2 (1.23)	2.5 (0.80)	14.1	.000
Primary coffee shop	2.0 (0.00)	1.8 (0.38)	1.3 (0.47)	17.6	.000

Table 4.7: Loyalty characteristics of the three identified clusters

The study is now able to confirm the H1 hypothesis, by showing that independent coffee shop customers are less likely to exhibit attitudinally loyal traits, as this is only true for 22% of participants. Likewise, this study is able to confirm the H2 hypothesis, as the attitudinally loyal cluster has been found to exhibit the highest emotional attachment mean scores. The results of the conducted analyses therefore show that emotional attachment to the coffee shop brand has a significant effect on the level of customer loyalty.

4.3.2 Findings regarding the drivers and consequences of loyal behaviours (RO2, H3-H5)

The second research objective (RO2) set for this study seeks to identify the drivers or antecedents of the different loyal behaviours and the consequences of the development of such loyal relationships. To support this objective, the following research hypotheses were developed:

- | | |
|-----------|---|
| H3 | Emotional commitment to the brand significantly increases the level of relational benefits received. |
| H4 | When independent coffee shop customers do exhibit attitudinally loyalty traits, their loyalty is significantly driven by both functional and emotional drivers. |
| H5 | Customer satisfaction positively influences post-purchase behaviour. |

To determine the drivers of customer loyalty, this study first conducted a multiple-response analysis. The study identified 9 variables with regards to drivers of customer loyalty, which were all dichotomous. When asked why they come to this independent coffee shop specifically, nearly 82% of all survey participants answered that it is because of the quality of coffee, followed by 74% who come there because of the convenience of location and 53% who visit because of the coffee shop atmosphere. Contrary to that, only 8% of participants come to the coffee shop because of the value for money, and only 13% come because of its attractive loyalty or reward programme. Similarly, only about a third of participants (for each individual construct) have said that they visit the coffee shop because of the quality of food, quality of services, familiar owner(s) and/or staff, or because they receive a personalized experience. All the percentages of cases belonging to each individual category of reasons for visiting are presented in the table below (Table 4.8).

		Responses		
		N	Percent (%)	% of cases
Reasons for visiting	Convenient location	56	20.5	73.7
	Quality of coffee	62	22.7	81.6
	Quality of food	23	8.4	30.3
	Perceived value (for money)	6	2.2	7.9
	Quality of services	27	9.9	35.5
	Personalized experience	22	8.1	28.9
	Brand experience (coffee shop atmosphere)	40	14.7	52.6
	Familiar owner(s) or staff	27	9.9	35.5
	Attractive loyalty or reward programme	10	3.7	13.2
Total		273	100%	359.2%

Table 4.8: Reasons for visiting independent coffee shops

4.3.2.1 Hypothesis H3

As these reasons for visiting are of more functional nature, the study moves on to identifying the emotional drivers of customer loyalty as well. This will be done through the analysis of relational benefits that customers receive when they engage in emotionally committed customer-brand relationships. In order to identify the effect of emotional drivers, this study will conduct a bivariate correlation analysis using the Spearman's rho method. According to Pallant (2013), this analysis method is most appropriate for exploring the strength and direction of the relationship between a pair of variables. The correlation coefficient ranges from -1 to +1, which indicates the strength of a relationship - the closer the coefficient is to 1, the stronger the relationship is, the closer

it is to 0, the weaker the relationship (Bryman and Bell, 2015). The correlation coefficient can be either positive or negative, which indicates the direction of the relationship between two variables and can be calculated using different methods, such as Pearson's r and Spearman's ρ (Pallant, 2013). As this study is examining the relationship between two ordinal variables, the Spearman's ρ method is most appropriate. For the analysis, two constructs were used – emotional commitment and relational benefits. Relational benefits construct was measured through the following dichotomous variables – do participants receive personalized service at the independent coffee shop, do they get recognized by staff when they walk into the coffee shop, have they developed personal relationships with members of staff and/or the owner(s) and do they engage in personal interactions with them. A mean of the responses to the questions for each variable construct were used to develop an overall score for that variable. Because of missing data, a total of 70 cases were used in this analysis.

The results of the bivariate correlation analysis show positive correlation (+0.695) between emotional commitment and relational benefits, which is statistically significant at the 0.01 level (Table 4.9). This means that the variation in the two variables is closely connected, but that they are influenced by other variables in the extent to which they vary as well (Bryman and Bell, 2015). Additionally, when the four individual measures of relational benefits were analysed separately, this study was able to identify that the relational benefit measure exhibiting the highest positive correlation (+0.635, $p = .000$) with the emotional commitment variable is 'I engage in personal interactions with members of staff and/or the owner(s)' (Table 4.9).

Because the results of the bivariate analysis showed a significant positive relationship between the two variables, this study can confirm the H3 hypothesis – an increase in the emotional commitment to the brand significantly increases the level of relational benefits received.

Emotional commitment	
<i>Spearman's Rho and (Sig. 2-tailed)</i>	
Relational benefits	.695** (.000)
I get recognized by members of staff when I walk into the coffee shop	.570** (.000)
I have developed personal relationships with members of staff and/or the owner(s)	.502** (.000)
I receive personalized service from the coffee shop staff	.542** (.000)
I engage in personal interactions with members of staff and/or the owner(s)	.635** (.000)
** Correlation is significant at the 0.01 level (2-tailed)	

Table 4.9: Results of the bivariate correlation analysis between the relational benefits and emotional commitment constructs

4.3.2.2 Hypothesis H4

In order to identify which drivers (functional and emotional) can be attributed to the loyalty groups produced by the cluster analysis, this study will use the one-way analysis of variance (ANOVA). ANOVA is used to compare the variability amongst the means of different groups with the variability of the mean of each individual group, in terms of the cases within each group (Pallant, 2013). This analysis involves one independent variable with a number of different levels, which correspond to different groups (Pallant, 2013). The independent variable for this analysis will be the three loyalty groups previously identified in the cluster analysis. The ANOVA also calculates an F ratio, which represents the variance between the groups divided by the variance within the groups (Pallant, 2013). A large F-ratio represents higher variability between the groups than within each individual group.

Functional drivers will be measured through the dichotomous constructs which scored highest in the multiple-response analysis – quality of coffee, convenience of location and brand experience (Table 4.8). Emotional drivers will be measured through the relational benefits variable used in the previous analysis (Table 4.9). A mean of the responses to the questions for each variable construct were used to develop an overall score for that variable.

The ANOVA showed two results. Firstly, it showed that emotional drivers have a significant effect on the variance amongst the three groups, especially on the attitudinally loyal cluster of participants. This means that the individual group mean scores are significantly different from one another ($p = .000$). Secondly, however, it showed that functional drivers do not have a significant influence on the variance amongst the groups, as the individual group means are not significantly different from one another ($p > 0.001$). The calculated F-ratio for emotional drivers was very high at 41.2, but very low for functional drivers at 1.6. The full results of the ANOVA are presented in Table 4.10.

	Attitudinally loyal (Cluster I) (n=15, 22%)	Behaviourally loyal (Cluster II) (n=35, 53%)	Situationally loyal (Cluster III) (n=17, 25%)		
Drivers	<i>Mean Scores and (Standard Deviations)</i>			F-ratio	Sig.
Emotional	1.8 (0.19)	1.2 (0.32)	1.0 (0.18)	41.2	.000
Functional	1.8 (0.21)	1.7 (0.27)	1.7 (0.26)	1.6	.201

Table 4.10: Results of the ANOVA analysis

The ANOVA results therefore show that emotional drivers are more significantly effective drivers of loyal behaviours, as they impact the development of attitudinally loyal traits with independent coffee shop customers. Functional drivers, on the other hand, do not significantly influence the development of loyal behaviours, as they have a similar effect on all three groups. This study can therefore confirm only a part of the H4

hypothesis, and therefore has to reject it. This is due to the analysis results revealing that when independent coffee shop customers do exhibit attitudinally loyal traits, their loyalty is significantly driven only by emotional, but not functional drivers.

4.3.2.3 Hypothesis H5

The last part of this data analysis section focuses on identifying the consequences of the development of loyal customer-brand relationships. As loyal, satisfied customer's post-purchase behaviour is most commonly associated with increased word-of-mouth recommendations, the study will focus on examining the relationship between these two constructs. To analyse this relationship, a bivariate analysis will be conducted using a contingency table, the chi-square test and the Cramer's V method. The chi-square test is a test of statistical significance, used to measure the probability that the observed relationship between two variables occurred by chance (Hardy and Bryman, 2004). Cramer's V method is used to examine the strength of the relationship between two variables, as it can only take on a positive value (Bryman and Bell, 2015).

The two constructs used in this analysis were customer satisfaction and WOM recommendations. Customer satisfaction was measured using two variables – participants' satisfaction with the independent coffee shop and the coffee shop brand, both of which were measured on a Likert-type scale, ranging from 1.0 ('I dislike it') to 10.0 ('Very satisfied' and 'It's impressive'). The WOM recommendations construct was measured using a single variable ('Would you recommend this coffee shop to others?'), measured on a 3-point scale, range from 1.0 ('I would not recommend it') to 3.0 ('I have already recommended it'). Because of missing values, a total of 74 cases were used in this analysis.

The analysis created a contingency table, which revealed a positive relationship between customer satisfaction and WOM recommendations (Table 4.11). The chi-square test (value of 68.92) showed that the observed relationship between the two variables is statistically significant ($p = .000$). Similarly, the value of Cramer's V is 0.682, which shows a significant ($p = .000$), strong positive relationship between the two variables (Table 8.5).

		Customer satisfaction										
		3	3.5	6	6.5	7	7.5	8	8.5	9	9.5	10
Would you recommend this coffee shop to others?	No, I would not	1	1	1	0	0	0	0	0	0	0	0
	Yes, I would	0	0	3	1	1	2	3	4	2	0	3
	Yes, I have already	0	0	0	0	2	6	4	9	11	5	15

Table 4.11: Contingency table showing the relationship between customer satisfaction and WOM recommendations

The results of this analysis show a significant positive relationship between the two constructs, which enables this study to confirm the H5 hypothesis. Customer satisfaction positively influences post-purchase behaviour, as satisfied customers are more likely to recommend the independent coffee shop to others.

4.3.3 Findings regarding the effect of relationship marketing strategies on customer loyalty (RO3, H6).

The aim of the third research objective of this study is to determine the effect of relationship marketing strategies on customer loyalty of independent coffee shop customers. To support this objective, the following hypothesis was developed:

H6 | Participation in loyalty or reward programmes increases repeat-purchase loyalty.

The study identified two components for the following analysis: loyalty or reward programme participation and repeat-purchase loyalty. The first component consists of three dichotomous variables, measuring the level of awareness of and participation in independent coffee shop loyalty or reward programme(s). The second component consists of two variables, measuring frequency of visitation on a 6-point Likert scale, from 1.0 ('This is my first visit to this coffee shop') to 6.0 ('I visit this coffee shop more than once a day'), and the level of visits to this coffee shop as compared to others (dichotomous). This study will conduct a bivariate correlation analysis with the Spearman's rho method to examine the interrelationships between the variables of both components. As there was no missing data, all 77 cases were included in these analyses.

The results of the correlation analysis revealed that all four interrelationships between variables are significant (Table 4.12). Firstly, participants who are aware of the coffee shops offering a loyalty or reward programme, are also more likely to visit the coffee shop more frequently, as well as visit it more frequently than other coffee shops (Spearman's rho values are +0.27 and +0.38 respectively). Similarly, participants who participate in existing loyalty or reward programmes are also more likely to visit the coffee shop more often, and to visit it more often than other coffee shops (Spearman's rho values are +0.34 and +0.32 respectively).

The results of the bivariate correlation analysis therefore show that awareness of and participation in loyalty or reward programmes have a weak positive relationship with frequency of visitation. This study can now confirm the H5 hypothesis.

		Frequency of visitation	Would you consider this your primary coffee shop?***
Do they have a loyalty or reward programme in place?	Spearman's Rho	.273*	.379**
	Sig. (2-tailed)	.016	.001
Do you participate in their loyalty or reward programme?	Spearman's Rho	.338**	.316**
	Sig. (2-tailed)	.003	.006

* Correlation is significant at the 0.05 level (2-tailed)

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

*** Primary coffee shop is the coffee shop a participant visit most often (more often than other coffee shops).

Table 4.12: Correlations between loyalty programme participation and repeat-purchase loyalty variables

4.4 Discussion

Having analysed and presented the results with regards to each research hypotheses, this section of the study will now provide a further discussion of the research findings and how they compare to previous research.

In order to ensure that the findings of this study are reliable, the Cronbach's Alpha test was conducted. Cronbach's Alpha is a commonly used statistic measurement for internal reliability, with values ranging from 0 ('no internal reliability') to 1 ('perfect internal reliability') (Bryman and Cramer, 2011). The Cronbach's Alpha value for this study is 0.855 (Table 4.13), which indicates high internal reliability.

Cronbach's Alpha	Cronbach's Alpha based on standardized items	N of items
.855	.905	29

Table 4.13: Reliability statistics test results

As discussed previously, the study determined that five out of the six developed hypotheses are supported, however, one of the original hypotheses had to be rejected due to insignificant results gained from the analysis. The following sections will further discuss the findings of the hypotheses and compare them to the findings of previous research on customer loyalty and relational marketing strategies.

4.4.1 The type of loyal customer prevailing in the independent coffee shop market

The first research objective was to identify which type of loyal customer prevails in London's independent coffee shop market.

Kandampully et al. (2015) identify three main types of customer loyalty, behavioural, attitudinal and situational loyalty, which are based on the levels of attitudes and behaviours that customers display. Behavioural loyalty is most commonly defined as a customer's overt behaviour towards a specific brand, which is often measured by the purchasing frequency of the brand's products

or services (Back and Parks, 2003). Attitudinal loyalty, on the other hand, is a committed and affective relationship with a brand (Mascarenhas, 2006), whilst situational loyalty is most often expressed as a contingent relationship with a brand (Uncles et al., 2002).

Having tested and confirmed the first two hypotheses, the study is now able to meet the first research objective. The type of loyal customer that prevails in London's independent coffee shop market is the behaviourally loyal customer, whose purchasing habits are shaped by the frequency of purchasing at one coffee shop, as compared to others. The findings of this study go along with previous research (Uncles et al., 2002), where it has been shown that with more frequently purchased brands, such as coffee shops, customers are less likely to exhibit attitudinally loyal traits, and are more likely to be multi-brand loyal. However, despite exhibiting weak commitment and attachment levels, behaviourally loyal customers still display very high levels of satisfaction with the independent coffee shop, which can serve both as an indicator of a weak commitment towards the coffee shop and as a strong platform for the development of more affective customer-brand relationships.

Furthermore, this study has shown that emotional attachment to the brand significantly increases the level of loyalty displayed by the independent coffee shop customer, who is consequently more likely to come to that coffee shop and to choose it over other coffee shop brands more often (Table 4.7). This goes along with previous findings of Becks and Parks (2003), which showed that customer loyalty does not evolve only as the outcome of repeat-purchase behaviour, but also as a consequence of multidimensional attitudes towards a brand.

4.4.2 Antecedents and consequences of loyalty

The second research objective of this study was to identify the drivers of customer loyalty in the independent coffee shop market and the consequences of the development loyal customer-brand relationships. This study also wanted to show how the identified drivers of loyalty compare to the loyalty drivers of chain coffee shop brands.

Similar to previous research (Kandampully et al., 2015; Tepeci, 1999; Baloglu, 2002; Yoo and Bai, 2013), this study has identified some of the main drivers of customer loyalty of independent coffee shops as perceived quality, brand experience and convenience of location. This fits with the findings of the first hypothesis, as a regular independent coffee shop customer is most likely to be behaviourally loyal and is likely to visit their primary coffee shop frequently (around 2-4 times a week), therefore location, product quality and coffee shop atmosphere are important factors to them.

Contrary to other research (Chen and Hu, 2010; Chang, 2013; Sivakumar and Raj, 1997), however, perceived value for money has been identified as far less important for the independent coffee shop customer than perceived quality, especially quality of coffee. This shows that the actual coffee shop product is far more important than the product price. Furthermore, this is also interesting considering the occupational demographics of this study's participants is 75% at supervisory or junior management level or lower (Figure 8.5). Independent coffee shop customers are therefore not concerned with the product price, which is further reflected in the low number of participants who visit these coffee shops because of their attractive loyalty or reward programme (Table 4.8), which generally offer some kind of discounted or free products. Kandampully et al. (2015) identify these antecedents as functional drivers of loyalty, as they represent the basis on which closer customer-brand relationships can be built. However, according to Tepeci (1999), closer relationships are not driven only by functional drivers, but also emotional,

such as satisfaction, attachment, affective commitment and engagement in the service process.

The findings of this study also showed that emotional commitment to a coffee shop brand significantly increases the level of relational benefits that customers receive. The study found that emotionally committed customers are more likely to engage in personal interactions with members of staff and/or the owner(s) and are more likely to get recognized by them when they walk into the coffee shop. Furthermore, they are more likely to have developed personal relationships with members of staff and/or the owner(s) and are more likely to receive personalized service and special treatment from them. These findings go along with the findings of previous research, which showed that customers are more likely to receive social and psychological benefits in return for their emotional commitment (Chen and Hu, 2010; Mascarenhas, 2006).

This study has now met the first part of the second research objective by showing that the main drivers of customer loyalty in London's independent coffee shop market are functional drivers, such as convenience of location, product quality and general brand experience. However, whilst functional drivers are important, they have a similar effect on all three types of identified loyal groups, which is why the H4 hypothesis could not be confirmed. It is the emotional drivers, such as commitment, attachment and relational benefits, however, that contribute significantly to the creation of an attitudinally loyal group of customers (Table 4.10).

Having identified what drives coffee shop customers into being loyal, this study can now compare this with the drivers of loyalty to chain coffee shop brands. As mentioned previously, one of the main reason why consumers become loyal to chain coffee shops, such as Starbucks or Costa, is their corporate reputation (Tu et al., 2012). When participants of this study were asked to compare the independent coffee shop to a chain coffee shop, 95% of participants said that they preferred the independent coffee shop (Figure 4.1).

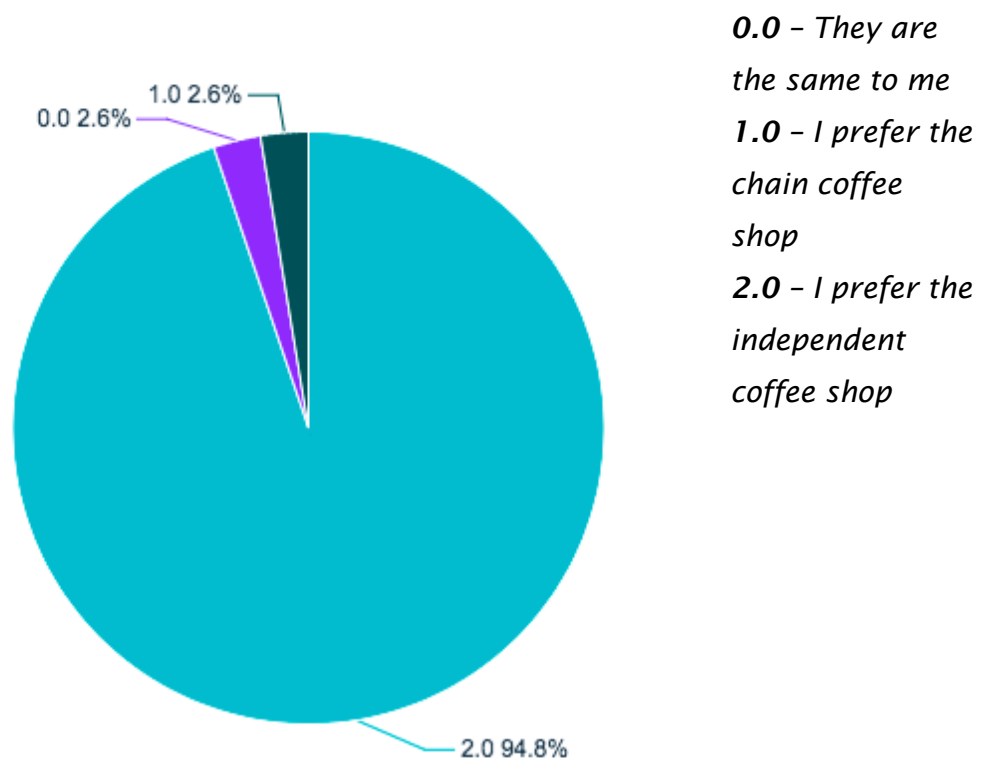


Figure 4.1: Independent vs chain coffee shop preference

When asked why they thought so (based on one or more factors), the majority of participants (85%) said that it was because of the higher product quality, followed by the participants who said it was because the independent coffee shop feels homelier or because it has a different atmosphere (see Table 4.14). Similar to other research (Helm et al., 2009), these findings show that whilst corporate reputation might be an important driver of customer loyalty of chain coffee shop brands, it is less important when higher product quality and the direct brand experience of independent coffee shops outweighs its importance.

		Responses		% of cases
		Number	%	
Reasons for preference of independent coffee chop over chain coffee shop brands	It feels more homely (brand experience)	45	18.9	61.6
	More personalized experience	35	14.7	47.9
	Higher product quality	62	26.1	84.9
	Better customer service	26	10.9	35.6
	Higher consistency of quality	33	13.9	45.2
	Different atmosphere	37	15.5	50.7
Total		238	100%	326%

Table 4.14: Results of the multi-response analysis base don independent vs chain coffee shop brand preferences

In the marketing literature, there is a common agreement that loyal customers are also likely to be satisfied customers, and satisfied customers are more likely to engage in positive post-purchase behaviour, such as word-of-mouth recommendations (Solnet and Kandampully, 2008; Cronin et al., 2000). This study's findings confirm this belief, as the analysis results showed that when participants display high levels of satisfaction with the coffee shop and its brand, they have most likely already recommended it to others, or would have recommended it, have they had a chance. However, when the level of customer satisfaction decreases, customers also become less likely to recommend the coffee shop to other (as displayed in Figure 4.2).

This study has now met the second part of the second research objective, as its findings showed that when coffee shop customers pre-purchase expectations are satisfied, this will result in positive post-purchase behaviour.

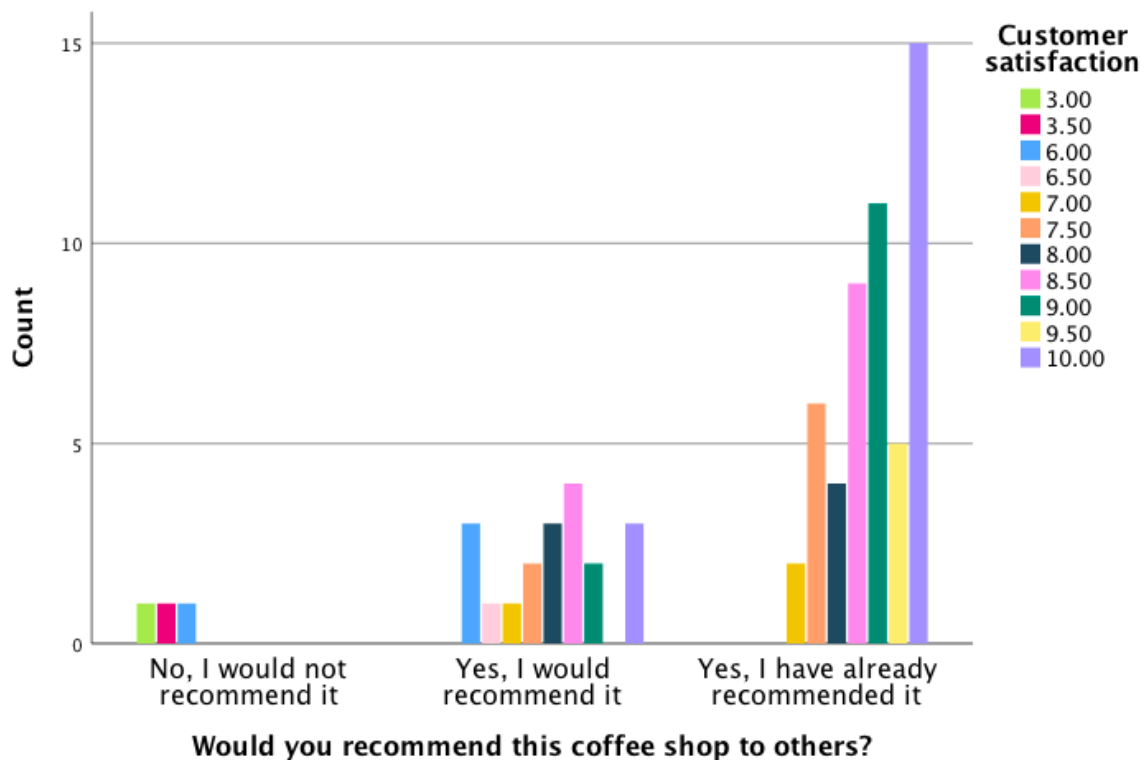


Figure 4.2: The relationship between customer satisfaction and WOM recommendations

4.4.3 Relationship marketing strategies

The third research objective of this study was to identify the effect of relationship marketing strategies, such as loyalty or reward programmes, on customer loyalty of independent coffee shops.

According to Bowen and Shoemaker (1998), relationship marketing is focused on customer retention and creating value for customers, by offering both economic (i.e. discounts, sales promotions, price reductions) and social (i.e. additional services and preferential treatment) benefits to them. One of the most common ways in which business seek to build a loyal customer base and increase repeat-purchase loyalty is through various loyalty or reward programmes (Gomez et al., 2006).

The results of this study showed that only about 40% of customers are aware of a loyalty or reward programme being in place at the independent coffee shop (in the vast majority of cases, these loyalty programmes were based on loyalty cards or discounted products; see Table 8.6). Furthermore, the findings showed that only about a quarter of the study's participants actually

participate in loyalty or reward programmes (Figure 8.7). Additionally, when asked to explain why they participate in loyalty or reward programmes, most participants answered that it is because they want to get a free coffee after buying a certain amount of visits. Contrary to that, when asked why they do not participate in loyalty or reward programmes, most participants said it was because they were either not aware of one being in place, or they were not interested in participating in it, as they do not visit often enough, or believe that it is 'not worth the trouble' (Table 8.8). These findings show that despite the fact that most of the coffee shops involved in this study (Table 8.2) offer loyalty or reward programmes, only a small percentage of customers actually participate in them. This could either be because the coffee shops do not put particular emphasis on advertising such programmes, or because customers do not see the benefits of participating in them.

However, when this study looked into the effects of participation in loyalty or reward programmes on the frequency of visitation to the coffee shop, as well as compared to other coffee shops, loyalty programme participation was found to have a weak effect on repeat-purchase loyalty. The findings of this study therefore confirm the general belief (Sharp and Sharp, 1997; Gomez et al., 2006) that loyalty programmes tend to reward only behaviour, and not attitudes, and that customers participating in such programmes are more focused on the end reward (i.e. free coffee), than brand superiority.

Having confirmed the H5 hypothesis, this study now met the third research objective. Research marketing strategies, such as loyalty or reward programmes, only have a weak effect on customer loyalty, and tend to influence repeat-purchase behaviour more than customers' attitudes towards the independent coffee shop brand.

5 Conclusion

This study presents a deeper look into the London's independent coffee shop market by investigating the different loyalty traits that customers exhibit, and by studying the interrelationships between the drivers and consequences of loyal behaviours, as well as between relationship marketing strategies and the development of customer loyalty. The objectives of this study were achieved both theoretically and empirically.

The results of this study have demonstrated that there are three distinctive groups of loyal customers in the independent coffee shop market, whose loyalty is driven by two differentiating factors – attitudes and behaviours. By assessing loyalty on both dimensions, this study was able to differentiate between customers whose behaviour stems from convenience and other situational factors, and customers who have actually become emotionally attached and committed towards a coffee shop brand. The three groups of customers have been identified as situationally, behaviourally and attitudinally loyal customers, where the levels of attitudes and behaviours displayed differ significantly between the groups. This study identified that independent coffee shop customers are most often behaviourally loyal, as their purchasing frequency is high, but their emotional attachment to the brand is much lower than with attitudinally (truly) loyal customers. This study also showed that emotional attachment to the coffee shop brand has a significant effect on the level of loyalty displayed by the customer. Whilst the results of this study support the findings that with frequently purchased items, such as coffee, customers are less likely to exhibit attitudinally loyal traits, they also emphasize the importance of measuring both attitudes and behaviours in order for independent coffee shops to be able to identify true brand loyal customers and to better understand their purchasing behaviours. Because previous studies on customer loyalty in the coffee shop market focused predominantly on attitudinal factors (Tu et al., 2012; Chen and Hu, 2010), by combining both measures, this study provides more a more wholesome and more reliable representation of the independent coffee shop market.

When then looking into what drives these three groups of customers into loyalty, this study was again able to identify two factors – functional and emotional drivers. Most customers initially come to independent coffee shops because of the convenience of location, however it is the quality of products, specifically coffee, and the different brand experience that keeps them coming back. The findings also showed that price is not a determining factor, because independent coffee shop customers are willing to pay more for a quality cup of coffee. Similarly, neither is their lack of brand reputation, that chain coffee shop brands possess, as most customers prefer going to independents than chains because of exactly the same reasons – higher product quality and different atmosphere. However, whilst these reasons are important for coffee shop customers, they are of equal importance to all three loyalty groups and are therefore not a significantly differentiating factor. It is the emotional drivers, such as the relational benefits that customers receive in return for their loyalty, that are the more significant factor. The results of this study showed that more emotionally committed customers are more likely to receive social and psychological benefits in return, such as personalised recognition, personalised service and special treatment from the coffee shop staff, as well as the development of personal relationships and involvement in personal interactions with the coffee shop staff and/or the owner(s). These factors have been identified to be the most significant with the attitudinally loyal group of customers. This in turn keeps customers more satisfied, and customer satisfaction positively influences post-purchase behaviour. The findings of this study also showed that independent coffee shop customers who are displaying higher levels of satisfaction, are also more likely to recommend the coffee shop to others, or they have already done so in the past.

Many independent coffee shops have consequently developed loyalty programmes for their existing, as well as new customers, in order to reward their loyalty. However, the results of this study have shown that loyalty or reward programme participation only has a weak effect on repeat-purchase loyalty, and that customer knowledge of and participation in them is actually

very limited. The results of this study therefore support the findings of Gomez et al. (2006), relating to the fact that such loyalty programmes can be very superficial in representing true brand loyalty, as customers are more likely to be focused on the end reward (i.e. free coffee) only. Coffee shop managers using such relationship marketing strategies should therefore put more emphasis on them and make sure to structure them so that they are focused on the brand and on encouraging truly loyal behaviour.

This study provides a comprehensive view for independent coffee shops to be able to increase their competitive advantage in relation to how their customers respond to their consumption experiences, as well as to help coffee shop managers to provide both functional and emotional benefit for their customers, and to refine their relationship marketing strategies, with the ultimate goal of winning true customer loyalty. The results of this study have therefore shown that the key drivers of customer loyalty of independent coffee shops in London's coffee shop market are both functional and particularly emotional, as they influence the development of different behaviours and attitudes, which in turn help shape the customers' loyalty characteristics. Whilst this research model has been built for the present study in the independent coffee shop market, it could be extended to other aspects of the hospitality industry as well, and could certainly serve as a basis for a much larger and more in-depth model used to study the various characteristics or loyal behaviours and relationships in the coffee shop market.

6 Recommendations

In this final chapter, the study will consider the recommendations that can be made based on its research findings both for independent coffee shop managers and also for future research projects.

However, it must initially be noted that the findings of this study should be viewed under some limitations. Firstly, to understand the full depth of loyalty behaviours in the independent coffee shop market, a more longitudinal study should be conducted. This study was limited with both time and financial resources, as well as access to a wider range of coffee shop customers, all of which would have enabled the researcher to gain a larger and more representative sample. Secondly, due to time restrictions, the research was unable to gain permission from independent coffee shops owners or managers to be able to collect data on premises. This would have enabled the researcher to conduct a longer questionnaire and thus collect larger amounts of data. And lastly, in order to gain a deeper understanding of customer attitudes, such as emotional commitment and attachment, a qualitative research strategy, such as in-depth interviews, would have been the more appropriate choice (Saunders et al., 2012). Despite these limitations, however, this study was still able to collect a big enough sample size in order to be able to uncover certain trends and relationships within the collected data.

6.1 Managerial implications

Having completed the data analysis and discussed the research findings, the study can now meet the fourth research objective by identifying the best practices in loyalty building strategies for independent coffee shop managers. As a preliminary step for developing attitudinal brand loyalty, coffee shop managers should aim to determine the exact nature (i.e. behaviours and attitudes) of their most frequent guests' loyalty. This will enable them to distinguish between the customers that are truly loyal, and the ones that purchase often, but only appear to be loyal. Furthermore, coffee shop

managers should examine the antecedents and consequences of different types of loyalty, as this will enable them to identify the most significant and distinguishing factors and processes that contribute to the development of loyal behaviours. By identifying exactly what these factors and processes are, businesses will be able to tailor their marketing strategies for their development and management over time.

The findings of this study showed that independent coffee shop customers' purchasing decisions are most commonly driven by convenience, product quality and general brand experience. It is therefore essential for coffee shops to offer high-quality products, and especially to have high coffee standards in place, as well as to have an inviting, homely atmosphere. When the product quality is higher, customers are also less likely to be price sensitive. Both of these factors will enable coffee shops to distinguish themselves from their competition, and most importantly, it will make customers feel satisfied, which will in turn make them come back. Customers that keep coming back make more purchases and are also more likely to bring more people along with them (through WOM recommendations), which creates more custom for the coffee shop. However, it is important that coffee shop managers understand that customer loyalty is not only about repeat-purchasing. Whilst it is important for them to meet the minimum requirements of their customers, they must really focus on the emotional aspects of services as well in order to keep bringing them back. Furthermore, when customers develop relationships with their preferred brands, it is important to reward their emotional attachment and commitment. Independent coffee shop businesses can aim to do so by truly acknowledging their most frequent customers, by recognizing them when they walk into the shop, by offering personalized services and special treatment to them, such as remembering their preferred drink and giving them quicker service, or even by engaging in personal interactions with them. Additionally, coffee shop managers should use relationship marketing strategies, such as loyalty programmes, not only to reward repeat-purchase loyalty, but also to collect data about customers, so that they can customize the service process for them. All of these benefits will

make the customers feel important, respected and appreciated, which will give them the feeling of belonging to the community and make them choose this coffee shop over others more frequently. Because coffee shops focus on selling a frequently purchased, low-risk item, it is unlikely that they will ever be able to make their customers 100% single-brand loyal. However, by combining both functional and emotional drivers, and focus on making their customers feel good, independent coffee shops will be able to increase the size of their attitudinally loyal group of customers.

6.2 Future studies implications

As mentioned previously, this study could be used as a basis for a more longitudinal, in-depth study of the independent coffee shop market.

In order to achieve this, future studies can consider entering potential collaborations with the independent coffee shops that both sides could benefit from. The researchers would be able to collect larger amounts of data on the coffee shop premises, whilst coffee shops would gain a better understanding of their customers' attitudes and behaviours through the results of the study. Such a collaboration could also help the research identify the most frequent customers, which would enable them to study the most attitudinally loyal group of customers in more depth. This would enable the researchers to provide a deeper understanding of the development of truly loyal behaviour in a market that is dominated by a variety seeking and impulse buying multi-brand loyal customer. Other studies could also look into differentiating between independent coffee shops with a single branch and coffee shops with multiple branches, in terms of how groups of loyal customers differ between them. And finally, future research could also be conducted from the brand perspective, and not customer-behaviour perspective only, in order to study the strategies that independent coffee shop businesses use to build customer loyalty.

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8 Appendices

8.1 School Research Ethics Committee (SREC) Approval Letter



Date: 23/7/18

Dear Ana,

Student Names:	Ana Petkovic
Student ID Number	U1628815
Project Title:	Investigating the most effective drivers of customer loyalty of independent coffee shops in London's Coffee Shop Market
Project/Dissertation Module Code:	MK7227
Supervisor Name:	Rula Al-Abdulrazak

I am writing to confirm the outcome of your application to the School Research Ethics Committee (UREC), which was considered at the meeting on **11/07/2018**.

The decision made by members of the Committee is **Approve**. The Committee's response is based on the protocol described in the application form and supporting documentation. Your study has received ethical approval from the date of this letter.

Approval will be given on the understanding that the [UEL Code of Good Practice in Research](#) is adhered to.

Please ensure you retain this letter for your records.

With the Committee's best wishes for the success of this project.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'AK', written over a horizontal line.

Dr Aidan Kelly
Senior Lecturer in Marketing



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8.2 Questionnaire

The table below (Table 8.1) shows the outline of the questionnaire, which was used for data collection in this study.

Question type	Survey questions
Filtering question	<ul style="list-style-type: none"> • Have you visited this coffee shop before?
Socio-demographics questions	<ul style="list-style-type: none"> • Gender • Age • Education • Occupation
Questions relating to customer loyalty in general	<ul style="list-style-type: none"> • Would you consider this outlet as your primary coffee shop? • How long has it taken you to travel to this specific coffee shop (in minutes)? • How often do you visit this coffee shop? • In general, how satisfied are you with this coffee shop (on a scale from 1 – I don't like it, to 10 – very satisfied)? • What do you think of this coffee shop's brand (on a scale from 1 – I dislike it, to 10 – It's impressive)? • Would you consider this your favourite coffee shop?

Questions relating to the drivers and consequences of customer loyalty	<ul style="list-style-type: none"> • Why do you come to this coffee shop specifically? • Do you feel emotionally committed to this brand and have positive feelings or beliefs about it? • If YES/NO what makes you feel this way? • How often do you receive personalised service or special treatment from the coffee shop staff and/or the owner(s)? • Would you recommend this coffee shop to others?
Questions relating to the comparison of independent and chain coffee shops	<ul style="list-style-type: none"> • How does this coffee shop compare to Starbucks or Costa or any other coffee shop? • What makes you feel this way?
Questions relating to relationship marketing strategies	<ul style="list-style-type: none"> • Do they have a loyalty or reward programme? • If YES, what kind of a loyalty or reward programme do they use? • Do you participate in their loyalty or reward programme? • Can you please explain briefly why you do or do not participate in their loyalty or reward programme?

Table 8.1: The list of survey questions used in the survey

8.2.1 Online questionnaire sample

Hello! My name is Ana Petkovic and I am a Master's student of International Business Management at the University of East London (UEL). I am conducting research for my dissertation on key drivers of customer loyalty of independent coffee shops in London's coffee shop market. This questionnaire is anonymous and your data will not be used for any other purposes, and will be destroyed once the study is complete. If you have any further questions, please email me at u1628815@uel.ac.uk, or my supervisor Dr Rula Al-Abdulrazak at r.al-abdulraak@uel.ac.uk. The results of my study will be available to you on request.

Thank you so much for taking the time to participate in this study!

Ana

***Required**

Participant Information Letter

Participant Information Letter

Programme of Study: MSc International Business Management

Dissertation Title: Investigation into the most effective drivers of customer loyalty of independent coffee shops in London's coffee shop market

Dear Participant,

You are being invited to take part in a research study. Before you decide whether to participate, it is important for you to understand why the research is being done and what it will involve. Please take time to read the following information carefully and ask us if there is anything that is not clear or if you would like more information. Take time to decide whether or not you wish to take part.

What is the purpose of the study?

The purpose of this study is to identify the most effective drivers into customer loyalty of independent coffee shops in London's coffee shop market. The research will be conducted from the customer behaviour perspective. This study is conducted for academic purposes only as part of my Master's degree in International Business Management.

What will I have to do if I take part?

Participate in a survey, which will be completed face-to-face with the researcher. The survey is comprised of 10 questions. The completion of the survey should not take more than 5 minutes.

What are the possible disadvantages or risks of taking part?

There are no disadvantages or risks of taking part in this study.

Do I have to take part?

You are under no obligation to participate in this study. If you do decide to take part, you are free to withdraw at any time without giving a reason. If you do not take part or withdraw from the study at a later date, it will not disadvantage you. Except in the case of partially completed, anonymous on-line questionnaires, all data related to your responses will also be safely destroyed unless you state otherwise. Submission of a partially completed or fully completed questionnaire implies consent to participate in the study and you will be unable to withdraw your data.

What will happen to the information?

Your participation in this study and all information collected will be kept strictly confidential in accordance with the Data Protection Act (1998). Unless otherwise indicated, all personal information and data collected will be coded and anonymised so that you cannot be recognised from it. The collected data will be securely stored on a password protected computer and safely disposed of once the project/dissertation has been completed.

The results of this study will be reported as part of my degree programme and may be further disseminated for scientific benefit. The results will be available to you on request.

Who should I contact for further information or if I have any problems/concerns?

Researcher: ANA PETKOVIC, u1628815@uel.ac.uk
Supervisor: Dr RULA AL-ABDULRAZAK, r.al-abdulraak@uel.ac.uk

If you have any queries regarding the conduct of the programme in which you are being asked to participate, please contact:

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Consent form (please tick all boxes to agree) *

- ☐ i. I consent to the processing of my personal information for the purposes explained to me. I understand that such information will be treated in accordance with the terms of the Data Protection Act 1998'. (Please tick in the case of questionnaires/interviews involving the collection of data falling under the Data Protection Act 1998 definition of 'sensitive personal data')
- ☐ i. (Please tick where anonymous questionnaires are used) By taking part in this study I fully understand that 'Submission of a partially completed or fully completed questionnaire implies consent to participate in the study and that I will be unable to withdraw my data'.
- ☐ i. I confirm that I have read the participant information sheet for the above study and I have been given a copy to keep.
- ☐ i. I understand what the study is about and I have had the opportunity to discuss with the researcher and ask questions about the study.
- ☐ i. The procedures involved have been explained to me. I know what my part will be in the study and how the study may affect me.
- ☐ i. I understand that my involvement in this study and particular data from this research will remain strictly confidential. Only researchers involved in the study will have access to the data.
- ☐ i. It has been explained to me what will happen to the data once the study has been completed.
- ☐ i. I understand that I have the right to stop taking part in the study at any time without reason or prejudice to myself.
- ☐ i. I know who to contact if I have any questions/concerns about my participation and I have their contact details.
- ☐ i. I fully and freely consent to participate in the study.

Participant's name *

Your answer

Date *

Date

dd/mm/yyyy

Which independent coffee shop is this referring to? *

Your answer

Gender *

- ☐ Male
- ☐ Female
- ☐ Prefer not to say

Age *

- ☐ 17 and under
- ☐ 18-24
- ☐ 25-34
- ☐ 35-44
- ☐ 45-54
- ☐ 55-64
- ☐ 65 and over
- ☐ Prefer not to say

Education *

- ☐ No schooling complete
- ☐ GCSE or equivalent
- ☐ A-levels or equivalent
- ☐ Bachelor's degree
- ☐ Postgraduate degree
- ☐ Prefer not to say

Occupation *

- ☐ Unemployed
- ☐ Unskilled manual worker
- ☐ Skilled manual worker
- ☐ Supervisory or junior management
- ☐ Intermediate management
- ☐ Higher management
- ☐ Prefer not to say

Would you consider this outlet as your primary coffee shop (is this the coffee shop you go to most often?) *

- ☐ Yes
- ☐ No

How long does it take you to travel to this specific coffee shop (in minutes)? *

Your answer

How often do you visit this coffee shop? (choose one answer) *

- ☐ More than once a day
- ☐ Once a day
- ☐ Once every 2-4 days
- ☐ Once every week
- ☐ Less than once a week
- ☐ This is my first visit to this coffee shop

Why do you come to this coffee shop specifically? (choose one or more answers) *

- ☐ Convenient location
- ☐ Quality of coffee
- ☐ tasty food (if available)
- ☐ Value for money
- ☐ Excellent customer service
- ☐ Personalized experience
- ☐ Coffee shop atmosphere
- ☐ Familiar owner / friendly staff
- ☐ Attractive loyalty programme (i.e. loyalty card or loyalty app)
- ☐ Other: _____

Do they have a loyalty or reward programme? *

- ☐ Yes
- ☐ No
- ☐ I don't know

If YES, what kind of loyalty or reward programmes do they use? (choose one or more answers)

- ☐ Loyalty card
- ☐ Loyalty app
- ☐ Discounted products
- ☐ Free products
- ☐ Product upgrades (i.e. a large coffee for the price of a small)
- ☐ Special offers (i.e. £1 coffee if you return after 3pm)
- ☐ Other: _____

Do you participate in their loyalty or reward programme? *

- ☐ Yes
- ☐ No
- ☐ They do not have a loyalty or reward programme in place

Can you please explain briefly why you do or do not participate in their loyalty or reward programme? *

Your answer _____

In general, how satisfied are you with this coffee shop (on a scale from 1-10)? *

1 2 3 4 5 6 7 8 9 10

I don't like it

☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐

Very satisfied

Would you consider this your favourite coffee shop? *

- ☐ Yes
- ☐ No

How does this coffee shop compare to Starbucks or Costa or any other coffee shop chain? *

- ☐ I prefer this coffee shop to a coffee shop chain
- ☐ They're the same for me
- ☐ I prefer the coffee shop chain to this coffee shop

What makes you feel this way (choose one or more answers)? *

- ☐ It feels more homely
- ☐ More personalised experience
- ☐ Better products (coffee and food)
- ☐ Better customer service
- ☐ Consistency of quality (products and services)
- ☐ It has a different atmosphere
- ☐ Other: _____

What do you think of this coffee shop brand (= anything that comes to mind when you think of this coffee shop, or anything that differentiates them from their competition)? *

	1	2	3	4	5	6	7	8	9	10	
I dislike it	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	It's impressive

Do you feel emotionally committed to this brand and have positive feelings and beliefs about it? *

- ☐ Yes
- ☐ No
- ☐ I don't know

If YES, what makes you feel this way? (choose one or more answers)

- ☐ I get recognised by staff when I walk in
- ☐ I have developed relationships with members of staff and/or the owner(s)
- ☐ I receive personalised service
- ☐ I engage in personalised interactions with members of staff or owner(s)
- ☐ I feel a sense of belonging to their community
- ☐ Visiting this coffee shops is an engaging and memorable experience
- ☐ I feel like I am important to them
- ☐ I feel respected and appreciated there
- ☐ I feel like this is 'my coffee shop'
- ☐ Other:

If NO, what makes you feel this way? (choose one or more answers)

- ☐ I do not get recognised by staff when I walk in
- ☐ I have not developed relationships with members of staff and/or the owner(s)
- ☐ I do not receive personal service
- ☐ I do not engage in personal interactions with members of staff
- ☐ I do not feel like I belong to their community
- ☐ I visit this shop because of convenience, price or other reasons
- ☐ I do not feel particularly important to them
- ☐ I prefer other coffee shops to this one
- ☐ Other: _____

How often do you receive personalised service or special treatment from the coffee shop staff? *

1 2 3 4 5 6 7 8 9 10

Never ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ Every time

Would you recommend this coffee shop to others? *

- ☐ Yes, I have already recommended it to others
- ☐ Yes, I would recommend it to others
- ☐ No, I would not recommend it
- ☐ I don't know

The figure below (Figure 8.1) shows an example of a completed questionnaire.

Date	: 21-Jul-2018
Have you been to this coffee shop before?	: Yes (name the coffee shop)=appestat
Age	: 35-44
Gender	: Male
Education	: A-levels or equivalent
Occupation	: Supervisory or junior management
Is this your primary coffee shop?	: Yes
How long has it taken you to travel to this coffee shop (in minutes)?	: 1 min
How often do you visit this coffee shop? (choose one answer)	: Once a day
Why do you come to this coffee shop specifically? (choose one or more answers)	: Convenient location, Quality of coffee, Tasty food (if available), Excellent customer service, Personalised experience, Coffee shop atmosphere, Familiar owner / friendly staff
Do they have a loyalty or reward programme?	: Yes
If YES, what kind of loyalty or reward programmes do they use? (choose one or more answers)	: Loyalty cards
Do you participate in their loyalty or reward programme?	: Yes
Can you please explain briefly why you do or do not participate in their loyalty or reward programme?	: free coffee - would come as well if it did not exist

In general, how satisfied are you with this coffee shop (on a scale from 1-I don't like it, to 10-Very satisfied)?	:	10
Would you consider this your favourite coffee shop?	:	Yes
How does this coffee shop compare to Starbucks or Costa or any other coffee shop chain?	:	I prefer this coffee shop to a coffee shop chain
What makes you feel this way (choose one or more answers)?	:	It feels more homely,More personalized experience,Better products (coffee and food),Better customer service,It has a different atmosphere
What do you think of this coffee shop brand (on a scale from 1-I dislike it, to 10-It's impressive)?	:	7
Do you feel emotionally committed to this brand and have positive feelings and beliefs about it?	:	Yes
If YES, what makes you feel this way (choose one or more answers)?	:	I get recognised by staff when I walk in,I have developed relationships with members of staff and/or the owner(s),I receive personalised service,I engage in personalised interactions with members of staff or owner(s),I feel a sense of belonging to their community,Visiting this coffee shops is an engaging and memorable experience,I feel like I am important to them,I feel respected and appreciated there,I feel like this is 'my coffee shop'
If NO, what makes you feel this way (choose one or more answers)?	:	
How often do you receive personalized service or special treatment from the coffee shop staff (on a scale from 1-Never, to 10-Every time)?	:	10
Would you recommend this coffee shop to others?	:	Yes, I have already recommended it to others

Figure 8.1: An example of a completed questionnaire

8.3 List of independent coffee shops

This section presents the list of all independent coffee shops whose customers participated in this study, along with the number of participants from each individual coffee shop and the information on whether they have a loyalty or reward programme in place. All the individual coffee shops below can be found in the London coffee shop market.

Independent coffee shop name	N	LP	Independent coffee shop name	N	LP
26 Grains	2	N	<u>Hjem</u>	1	Y
<u>Allpress Espresso</u>	2	Y	Holy Shot	1	Y
Antipode	1	Y	Hopper	8	Y
Appestat	6	Y	<u>Kaffeine</u>	3	N
Bar Italia	1	N	La Girasol	1	N
<u>Brickwood</u>	4	Y	Look Mum No Hands	1	Y
Browns of <u>Brockley</u>	1	N	Monmouth Coffee Co	5	N
Café Plum	1	N	Out of the Brew	2	N
Café Zee	1	Y	Paper and Cup	2	Y
Coffee geek and friends	5	Y	Phase Four Espresso	2	Y
Coffee in the Wood	1	Y	<u>Sendero</u>	1	Y
Coffee Works Project	5	Y	Store Street Espresso	3	Y
Dada Café	2	Y	Summer with Monika	1	N
District	1	Y	The Meal Ticket	1	N
Espresso Bar <u>Mozzino</u>	1	Y	<u>Timberyard</u>	6	Y
Exmouth Coffee Co	2	Y	Truth Café	1	Y
<u>Greenspeares</u>	1	Y	Zealand Road Coffee	1	N

Table 8.2: Independent coffee shops considered in this study

8.4 Data analysis

8.4.1 Participants socio-demographics

Socio-demographics		Frequency	Percent
Gender	Female	40	51.9
	Male	37	48.1
	Prefer not to say		
Age	18-24	20	26
	25-34	42	54.5
	35-44	8	10.4
	45-54	3	3.9
	55-64	3	3.9
	65 or over	1	1.3
	Prefer not to say	0	0
Education	No schooling completed	1	1.3
	GCSE or equivalent	1	1.3
	A-levels or equivalent	9	11.7
	Bachelor's degree	37	48.1
	Postgraduate degree	28	36.4
	Prefer not to say	1	1.3
Occupation	Unemployed	6	7.8
	Unskilled manual worker	2	2.6
	Skilled manual worker	22	28.6
	Supervisory or junior management	24	31.2
	Intermediate management	8	10.4
	Higher management	10	13.0
	Prefer not to say	4	5.2
Total		77	100

Table 8.3: Sample socio-demographics

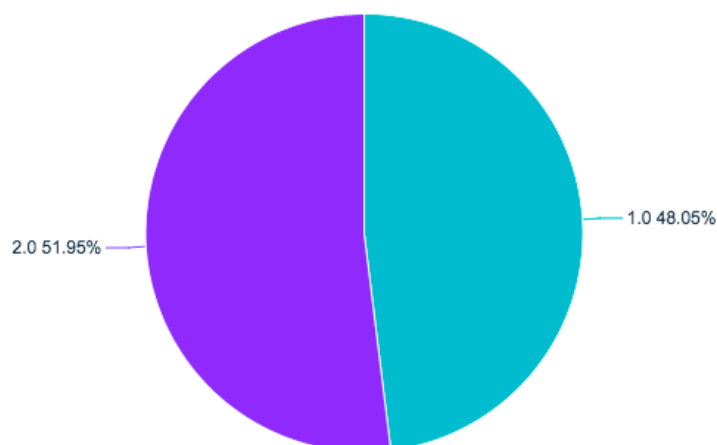
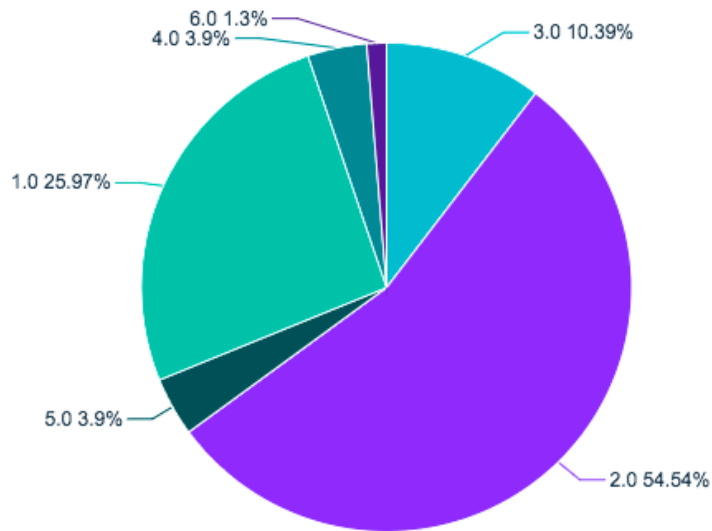


Figure 8.2: Gender

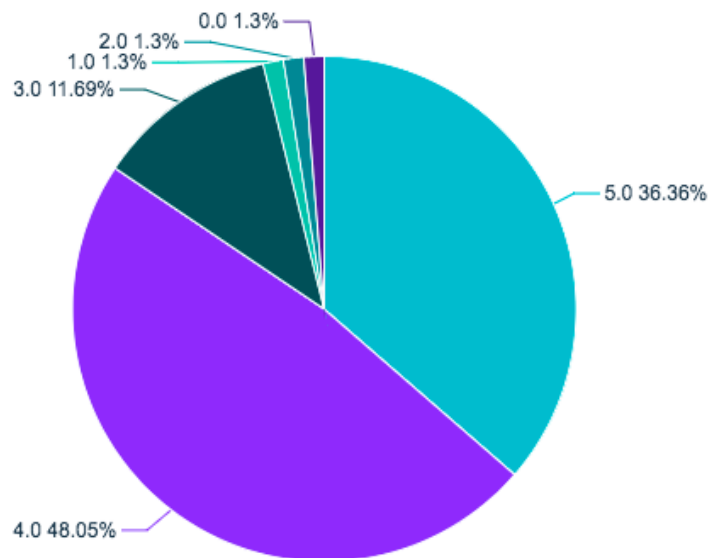
1.0 – Male
2.0 – Female

Figure 8.3: Age

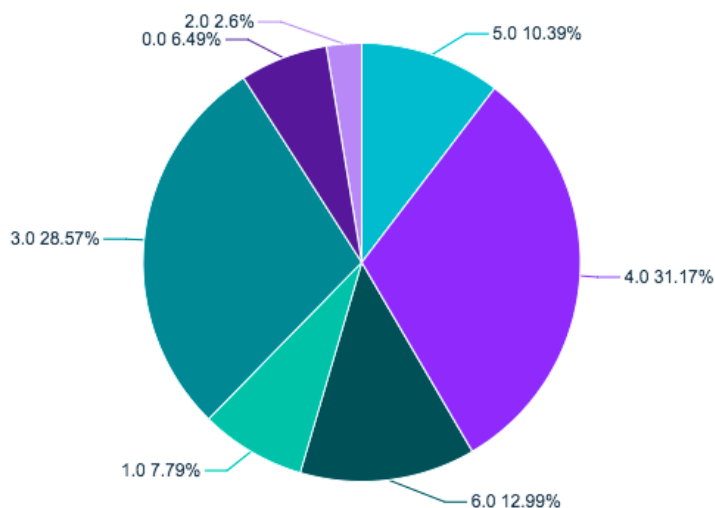
- 1.0 - 18 to 24
 2.0 - 25 to 34
 3.0 - 35 to 44
 4.0 - 45 to 54
 5.0 - 55 to 64
 6.0 - 65 and over

Figure 8.4: Education

- 0.0 - Prefer not to say
 1.0 - No education completed
 2.0 - GCSE or equivalent
 3.0 - A-levels or equivalent
 4.0 - Bachelor's degree
 5.0 - Postgraduate degree

**Figure 8.5: Occupation**

- 0.0 - Prefer not to say
 1.0 - Unemployed
 2.0 - Unskilled manual labor
 3.0 - Skilled manual labor
 4.0 - Supervisory or junior management
 5.0 - Intermediate management
 6.0 - Higher management



8.4.2 H1 Hypothesis

Cluster Membership

Case	4 Clusters	3 Clusters	2 Clusters
1:Case 1	1	1	1
2:Case 4	2	2	1
3:Case 5	2	2	1
4:Case 7	3	3	2
5:Case 8	4	2	1
6:Case 9	3	3	2
7:Case 10	2	2	1
8:Case 11	2	2	1
9:Case 13	3	3	2
10:Case 14	1	1	1
11:Case 15	3	3	2
12:Case 16	2	2	1
13:Case 17	3	3	2
14:Case 18	2	2	1
15:Case 19	2	2	1
16:Case 20	3	3	2
17:Case 21	1	1	1
18:Case 22	1	1	1
19:Case 23	1	1	1
20:Case 24	2	2	1
21:Case 25	3	3	2
22:Case 26	1	1	1
23:Case 28	2	2	1
24:Case 29	1	1	1
25:Case 30	4	2	1
26:Case 31	2	2	1
27:Case 33	1	1	1
28:Case 34	1	1	1
29:Case 35	2	2	1
30:Case 36	1	1	1
31:Case 37	2	2	1
32:Case 38	2	2	1
33:Case 39	3	3	2
34:Case 40	4	2	1
35:Case 43	4	2	1
36:Case 44	3	3	2
37:Case 45	3	3	2
38:Case 46	2	2	1
39:Case 48	2	2	1
40:Case 49	2	2	1
41:Case 50	3	3	2

42:Case 51	3	3	2
43:Case 52	2	2	1
44:Case 53	3	3	2
45:Case 54	3	3	2
46:Case 55	4	2	1
47:Case 56	1	1	1
48:Case 57	2	2	1
49:Case 58	2	2	1
50:Case 59	1	1	1
51:Case 60	2	2	1
52:Case 61	3	3	2
53:Case 62	2	2	1
54:Case 63	2	2	1
55:Case 64	2	2	1
56:Case 65	2	2	1
57:Case 66	2	2	1
58:Case 67	3	3	2
59:Case 68	3	3	2
60:Case 69	2	2	1
61:Case 70	2	2	1
62:Case 72	1	1	1
63:Case 73	4	2	1
64:Case 74	2	2	1
65:Case 75	1	1	1
66:Case 76	2	2	1
67:Case 77	1	1	1

Table 8.4: Cluster analysis results

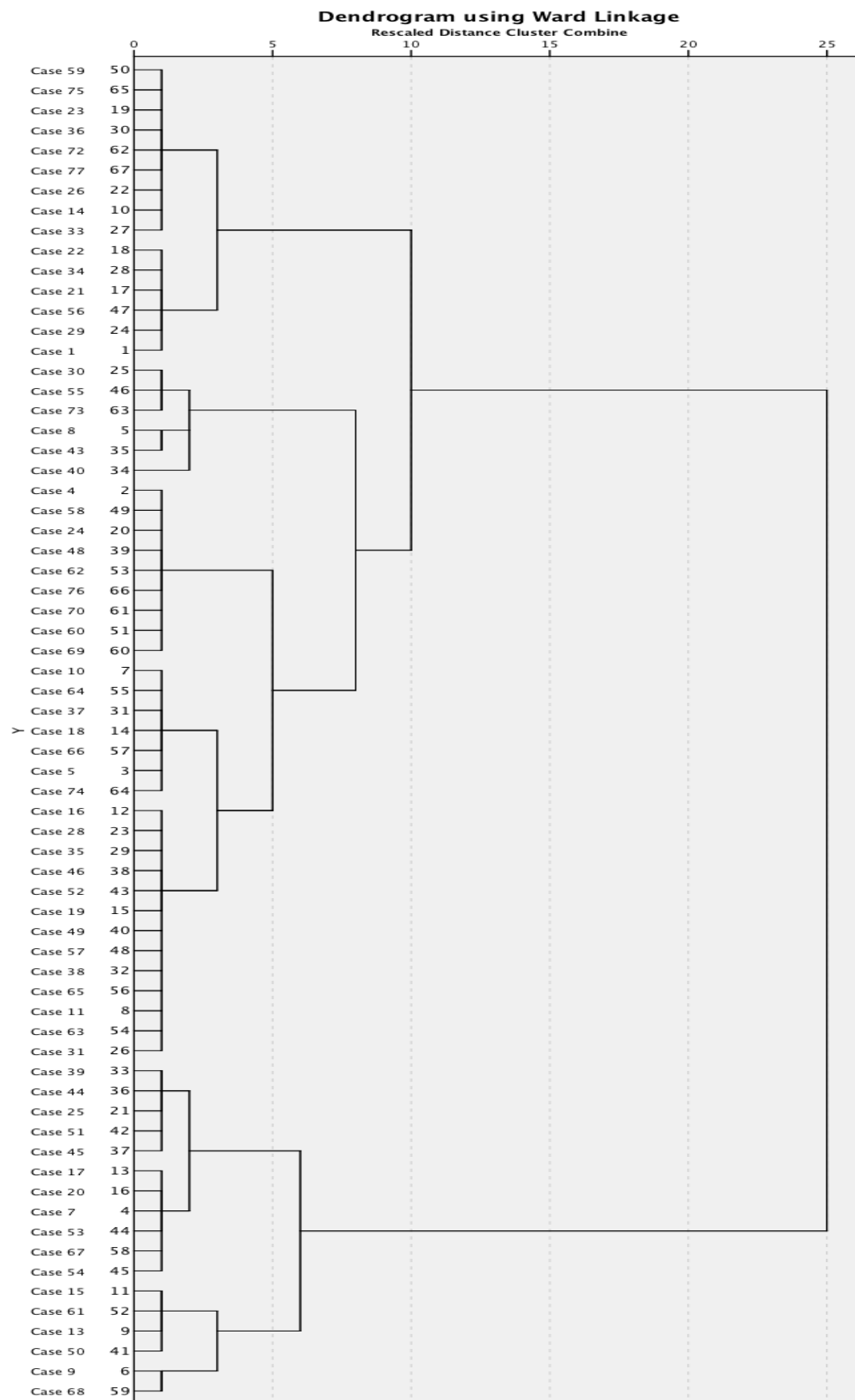


Figure 8.6: Dendrogram showing cluster analysis results

8.4.3 RO2 and H5

		Value	Sig.
Symmetric measures	Phi	.965	.000
	Cramer's V	.682	.000
	Contingency Coefficient	.694	.000
Chi-Square Test	Pearson Chi-Square	68.921 (df = 20)	.000
	Likelihood Ratio	37.295 (df = 20)	.011
	Linear-by-Linear Association	26.521 (df = 1)	.000
N of valid cases		74	

Table 8.5: Symmetric measures and Chi-Square Test for customer satisfaction and WOM recommendations

8.4.4 RO3 and H6

The frequency table below (Table 8.6) shows the most commonly identified types of loyalty or reward programmes in place at the independent coffee shops included in this study. The table was created through a multiple-response analysis, based on the survey questions 'Do they have a loyalty or reward programme at this coffee shop' and 'if YES, what kind of a loyalty or reward programme do they use (choose one of more answers)?'. There were 32 valid responses for this analysis, 3 of which have identified two different types of loyalty or reward programmes (as seen in Table 8.6)

		Responses		
		N	%	% of cases
Type of loyalty	Loyalty card	32	91.4	100
	Discounted products	3	8.6	9.4
Total		35	100	109.4

Table 8.6: Frequency table exhibiting the most common loyalty or reward programmes used by independent coffee shops

The crosstabulation below (Table 8.7) shows the relationship between loyalty or reward programme participation and repeat-purchase loyalty. The chi-square test for this analysis was significant ($p < 0.001$), as was the Cramer's V measure, which revealed a strong positive relationship between the two variables (0.7 and $p < 0.001$).

		Do they have a loyalty or reward programme in place?			
		I don't know	No	Yes	Total
Do you participate in their loyalty or reward programme?	No	24 42%	21 37%	12 21%	57 100%
	Yes	0 0%	0 0%	20 100%	20 100%
Total participants		24 31%	21 27%	32 42%	77 100%

Table 8.7: Crosstabulation between awareness of and participation in an independent coffee shop's loyalty or reward programme

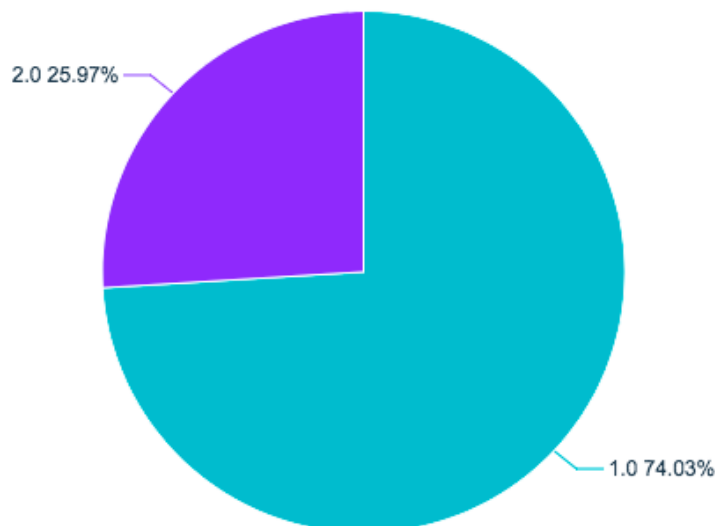


Figure 8.7: Loyalty or reward programme participation

1.0 – No, I do not participate

2.0 – Yes, I do participate

Loyalty programme participation

Reasons for	Reasons against
<ul style="list-style-type: none"> • I want free products • Value for money • Free coffee • It's applicable to the product I usually buy • It's simple as I am often there and it makes sense to participate in it • It makes sense to get a reward coffee • Love to collect points for a free coffee • I get a company discount for working locally • Because I like the quality of coffee • It's easy and I get the occasional free coffee • I would if they had one 	<ul style="list-style-type: none"> • I don't visit often enough • I am not aware of one • They do not have one • Not consistently available • I always forget to carry the loyalty card with me and I end up taking a new card, so I prefer not to take part at all • I don't want more cards in my wallet • Not that interested • Too much effort to sign up, I feel obliged to go and feel like I am missing out if I forget my loyalty card • More hassle than it is worth • Not very loyal, I visit different coffee shops • They didn't offer one

Table 8.8: Most common reasons for why independent coffee shop customers (do not) participate in loyalty or reward programmes