Customer Loyalty to Coffee Shops:
A study of Swedish Generation Y

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Abstract:

**Background:** Sweden is one of the biggest coffee consuming countries in Europe with the average annual coffee consumption per capita as high as 8.2kg. This mass consumption of coffee therefore creates high level of competition amongst coffee providers in the Swedish coffee market. There are numerous coffee shops and even some food chains and retail stores selling their own brand of coffee. This study will focus on Generation Y, as they will soon be the majority of consumers.

**Purpose:** The purpose of this thesis is to investigate and analyze what factors affect Generation Y’s loyalty to coffee shops and examine what forms the basis of Generation Y’s loyalty for coffee shops.

**Methodology:** In this thesis, the research method is based on a quantitative approach using a questionnaire to collect data. The findings are established by using both existing literature and primary data. The questionnaire consists of 432 respondents and 400 respondents’ data was used to answer the research question. The respondents consist only of Generation Y who has lived in Sweden for longer than six months.

**Conclusion:** This study has shown that the most important factor that affects people of Swedish Generation Y to become loyal customers to coffee shops is being provided a comfortable and suitable environment. The second important factor is product quality. The third factor is service. However, for those who are students and unemployed Swedish Generation Y, price is also a factor that could influence their loyalty. Moreover, Coffee shops can use loyalty programs to get their customers’ higher customer loyalty.

**Key words:** Coffee shops, Generation Y, Customer loyalty, Customer satisfaction
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1. Introduction

The first chapter of the thesis describes the background of the research and the field pertaining to the research problem. The purpose, research question, and definition of the study are explained. In the end of this chapter is an overview of the thesis structure.

1.1 Background

Today people drink coffee all over the world. When it comes to Europeans, it is widely known that coffee is an essential product of their lives and lifestyle. For Europeans, coffee is not only a drink that a large percent of the people cannot live without; it has already become a culture in its own right (Hattox, 1985). The coffee culture began in the 14th century in Turkey (Kamali, 2012) and then continued to spread in the late 17th and 18th centuries to Europe during the colonization (Chapagain & Hoekstra, 2007). During that time, coffee shops became popular meeting places for writers and socialists and for many political and commercial activities (Cowan, 2005). Since the 17th century, coffee has gained a great importance not only in Europe, but also throughout the world. Chapagain and Hoekstra (2007) believe that coffee is of great economic and social importance. It has economic importance to the producing – mostly developing countries – and of considerable social importance to the consuming countries (Chapagain & Hoekstra, 2007).

In the European market, Sweden is one of the major coffee consumers. The coffee consumption in Sweden is 8.2 kg per capita a year or 3.2 cups per person a day (ICC, 2010). In Sweden, drinking coffee is considered a way of socializing. It correlates closely to the Swedish Fika culture. Fika means having a break, most often a coffee break with colleagues or friends. Fika can also be held with one’s friends, on a date or with family members, as a way to relax that often includes some cookies or cakes on the side. (Image Bank Sweden, 2011) Due to the high consumption of coffee in Sweden, it seems that the coffee market will continue to grow in Sweden (ICC, 2010).

In Sweden, most of the coffee shops are domestic brands. One example of a Swedish domestic coffee shop chain is Wayne’s coffee, which was founded in 1994 in Stockholm and now has more than 90 coffee shops around Sweden and dozens more around the world (waynescoffee.se). Espresso House is another coffee-chain, which in 2006 had 22 franchisers in the south of Sweden. Shortly after, Espresso House took over another coffee-chain in Stockholm, adding 15 more franchisers and leading to a national chain of 37 franchisers to their brand. Based on that, Espresso House has now evolved into 120 outlets across Sweden, making it the largest chain of wholly owned branded coffee bars in the Nordic region (Palamon, 2012).

Sweden also has other brands of coffee shops, such as DaMatteo and café Granden. Furthermore, food chain giants McDonalds and Burger King also sell coffee. Coffee can be found in different retail stores such as ICA, WiLLY:S, Coop, etc. some of which sell coffee under their own brand. They are all competing against each other. These different types of brands can be considered good for consumers as they can choose and decide which brand to go for. This also means that in this competitive market, it is very important for the companies to maintain their customers’ loyalty. In addition, to be able to analyze the relationship between the companies and the buyers the managers
of different brands need to come up with the right business strategy to attract new customers and retain the current ones.

1.2 Problem Description

With the high demand for coffee and the existence of many coffee shops in the market, every coffee provider (coffee shops or other businesses selling coffee) wants to gain more market share to increase profits. However, in today’s competitive market, services and service providing companies (coffee providers) within the same industry are becoming increasingly similar (Andreassen & Lindestad, 1998) – the coffee industry is not an exception. So how can the coffee providing companies retain their existing customers and attract new customers?

If a company wants to survive in a competitive market such as the coffee market, the concept of customer loyalty needs to be emphasized much more (Monday, 2012). Therefore, companies focus on brand building in the endeavor of attracting customer loyalty (Mascarenhas, Kesavan & Bernacchi, 2006). When customers purchase goods from the same company repeatedly, it means the company has their customers’ loyalty (Drew 1991; Bolton 1998). Additionally, customer value, profit that customer could contribute to the company or to organizations, is also positively related to customer loyalty (Sirdeshmukh, Singh & Sabol, 2002).

Loyalty comes from customer satisfaction. Customers become loyal when they feel satisfied from the quality of the service provided by the companies. Other than the service quality, product quality and price are all important factors contributing to high levels of customer satisfaction. Therefore, the above qualities are all basic elements that a company should focus on to gain customer loyalty. (Grönroos, 2007; Wilson, Zeithmal, Gremler & Bitner, 2008)

There are plenty of studies on Generation Y and their various effects and role on different industries, but very few have really focused on the role and effects of the 1.7 billion customers in the coffee industry. Sweden is a country with high coffee consumption and Generation Y is going to become the main force in the market (Wolburg & Pokrywcynski, 2001). This thesis will also investigate the impacts of Swedish Generation Y on the coffee market and thereby the generation’s loyalty to coffee shops.

Every coffee shop and provider will have their own strategies and programs to attract new customers and retain the current ones. Loyalty cards, discounts cards, coffee vouchers, low prices and environmentally friendly coffee are some examples of these strategies. However, the impacts of these strategies and others on the Generation Y’s loyalty to coffee shops have not been investigated widely. Therefore, it needs to be considered if there is such a thing as loyalty when people purchase coffee, and where does the customer loyalty come from – in Generation Y in particular?

1.3 Research Question

The main research question is what factors affect Generation Y’s loyalty to specific coffee shops? In
addition, this thesis will provide answer to the question what is the basis of Generation Y’s loyalty for coffee shops and what influences Generation Y to be loyal?

1.4 Purpose of the Research

This paper will focus on customer loyalty – particularly in Generation Y- in coffee shop markets in Sweden. The objectives include finding out if the Swedish Generation Y considers them having customer loyalty to coffee shops? What influence them to be loyal?

1.5 Definitions

Customer: Customer is a person, company or other entity that buys goods and services produced by another person, company, or other entity. (Claude, 2012)

Loyalty: Willingness to make an investment or personal sacrifice to strengthen a relationship. (Reichheld, 2001)

Customer loyalty: Customer loyalty represents a consumer’s decision that constantly purchase a preferred product or service, even when they might be influenced to switch to another product. (Oliver, 1999)

### 1.6 Chapter Overview

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2. Theoretical Framework

This chapter covers theory behind the problem. The aim is to give a theoretical framework of the research with regard to the topics of this study, which are: Customer Loyalty, Generation Y, Customer Satisfaction, Service quality, Production Quality, and Price. Each of these theoretical concepts is introduced in this chapter.

2.1 Generation Y

It is very difficult to find a common definition on Generation Y. Many researchers think of Generation Y as people born between 1977 and 1995 (Dalton, 2003; Bartlett, 2004 & Dorsey, 2010). In some literature, Generation Y is also defined as people born between 1982 and 2001 (Paul, 2001). This thesis uses the definition by Dorsey (2010): “the demographic cohort born between 1977 and 1995.”

In general, people in this demographic cohort have a few common traits that define Generation Y: Tech-Savvy, Family-Centric, Achievement-Oriented, Team-Oriented, and Attention-Craving (Sally, 2012). Ebenkamp and Marciniak (2002) picture Generation Y as being shaped by Nintendo, having a civic purpose, possessing grand ambitions, and feeling optimistic about the future. According to Deloitte (2005), Generation Y is said to be tech-savvy, civic minded, connected 24-7, self-confident, service-minded, optimistic, environmental, educated, entrepreneurial, bored by routine, opinionated, success-driven, diverse, lifestyle-centered and goal orientated. Generation Y has been reared in a consumption-driven society and has more money at their disposal than any teen group in history (Morton, 2002; Foscht, Schloffer, Maloles & Chia 2009).

Style and having their own identity is more important to Swedish people of Generation Y than the brand they wear. Therefore, the traits of Generation Y influence their consumption and loyalty. According to people in different periods may have different values, Generation Y have different satisfactions to achieve their loyalty. Hence, this element influences customer loyalty in this Generation Y.

2.2 Customer Loyalty

Recently customer loyalty has become an important key to success because it is considered able to evaluate companies’ financial performance and competitiveness in the market (Reichheld, 2001). Different researchers define “customer” from different perspectives.

A customer is a person, company or other entity that purchases goods and services produced from others. According to (Claude, 2012) claims that customer is an entity with the ability to choose products and suppliers and receive goods or services.

Loyalty in business, as opposed to compulsion, must be spontaneous and reflected by people’s own
free choice (Thilly, 2000). Thus, customer loyalty is the ultimate reward that a supplier receives in his effort in interacting with its customer (Kharibam, 2012). According to Jensen and Hansen (2006), “true loyalty can only exist if the consumer embraces a positive attitude towards a specific company and suggest that favorable attitudes influence repeated purchasing.” The term customer loyalty is used to describe the behavior of customers repurchasing products in one company. Costabile (2000) claims that customer loyalty is a repurchase behavior which is not random and with a process of assessment for a specific brand or group of brands.

2.2.1 Conditions for Loyalty

Dick and Basu (1994) mentioned a framework for customer loyalty connected with attitudinal and behavioral measures.

No loyalty: the customers have low relative attitude and repeat patronage in the shops (Dick & Basu, 1994). No loyal customer will change the shops easily and not be loyal with one shop.

Spurious loyalty: customer under this condition makes repeated purchases based on familiarity. The supplier needs to increase the perceived differentiation of brands to get less vulnerable to competition (Dick & Basu, 1994). Sometimes customers buy products of a brand because of the previous good experience and habit, they may be simply too lazy to try other things and they buy it because they just know how to get it. Thereby they are not the real loyal customers. Even discounts or sales from other brands may attract customers in this condition.

Latent loyalty: customer under this condition of loyalty is a potential target group for company and usually non-attitudinal factors influences customers’ patronage behavior (Dick & Basu, 1994). For example, a customer may have a loyal attitude about Starbucks, but he or she may not often visit that coffee shop because of long distance or lack of enough income to purchase, both of which will limit their visits to Starbucks.

Loyalty: this is the best condition of loyalty. Customer at this condition has high relative attitude to the brand and repeated patronage in that brand. They would like to share his/her experience with others (Dick & Basu, 1994). Therefore, loyal customers will not change their loyal brand easily.

After the customer has become loyal, there are four main stages in the customer loyalty evolutionary process: The satisfaction and trust stage, the trust and buying repetition stage, the mental loyalty stage and the co-operative loyalty stage (Dick & Basu, 1994).

Figure 1 shows how the increase in relative attitude and repeated patronage leads to loyalty. Both need to increase in order to get loyalty.
2.2 Loyalty Program

In today’s society with its competitive market, loyalty programs are a way for companies to attract customers more efficiently. That is why loyalty programs are a new trend to retain customers. Loyalty programs consist of both hard and soft rewards. The hard reward can be discounts or promotion sales, while soft rewards mean preferential treatment (Bridson, Evans & Hickman, 2008). Uncles, Dowling & Hammond (2003) indicates the two main purposes of customer loyalty program. One is for the company to create long-term relationships with customers. The other one is to increase customers’ consumption of other products and service within the same brand.

An effectual loyalty program can retain customers and make customers feel satisfied about their consumption. Rowley (2005) argues that many loyalty programs are not effective and many customers included in loyalty programs do not utilize loyalty activities frequently. Therefore the important thing to do is to not only use loyalty program as a way to attract customers but also to make sure to maintain them and make the program effective (Uncles, 2003).

Customers Loyalty Programs do not make customers have “deeper loyalty based on the feeling of a company” (Whyte, 2004). For this reason, the customer loyalty is built on the attitudes from different perspectives on loyalty; it emphasizes an individual’s behavior. Based on these results, the loyalty program becomes an important topic to discuss in marketing.

The research from Aimia (2011) shows that if the loyalty programs are free, easy and fast, Generation Y will be even more eager to participate in loyalty and reward programs than their parents are.

2.3 Customer Loyalty and Generation Y

When it comes to customer loyalty in Generation Y (aged between 17 and 35), it may change the way that companies and brands build sustainable customer loyalty as before. Generation Y customers are capricious customers, but they never lack of brand-conscious and fashion-conscious (Bartlett,
2004). Moreover, according to a research by a leading customer experience company, the decision-making process and the loyalty of Generation Y are different and changing than that of older generations (Strum, 2012). Generation Y is particularly important as a customer segment because it has the potential to grow; and as this growth occurs, the Generation’s spending power and market influence also increases (Wolburg & Pokrywcynski, 2001).

2.4 Customer loyalty and Customer Satisfaction

Customer loyalty can be treated as a significant positive relationship with customer satisfaction (Colgate & Stewart, 1998). Zeithaml, Bitner & Gremler (2006) also proved customer satisfaction has positive effects on customer loyalty. Bitner (1990) shows that satisfaction has an indirect effect on loyalty mediated by perceived quality and reveal loyalty is influenced directly by satisfaction. The relationship between satisfaction and customer loyalty can also be defined as when satisfaction reaches a certain level, loyalty increases dramatically; at the same time, when satisfaction declined to a certain point, loyalty dropped equally dramatically (Oliva, Oliver & MacMillan, 1992).

2.5 Customer Satisfaction

Customer satisfaction depends on how customer compares a perceived of a perceived performance of a product and their expectations; customer will feel satisfied if the perceived performance is better than their expectation. Customers who get satisfied will purchase repeatedly and would like to share their good experience to other people. (Kotler & Armstrong, 2010)

Furthermore, customer satisfaction is discussed in the fields of marketing, advertising, selling, customer relations and services subjects (Revathy, 2007).

Three components of customer satisfaction are service quality, product quality and price. There are also situational factors and personal factors affecting customer satisfaction (Kotler & Armstrong, 2010). However, this thesis only studies where the customer loyalty comes from. Situational factors and personal factors are not including in this thesis.

2.5.1 Service Quality

Service quality is an important factor to make customers feel satisfied. A customer will directly judge the service that the company provides them. A customer can feel positive to a service, which leads to the customer coming back the next time.

In today’s competitive-market environment, service quality delivery is an essential strategy for success and survival of firms (Parasuraman, Zeithaml & Berry, 1985). Service quality is one of the determinant factors of customer satisfaction. High level of service quality contributes to the high satisfaction of customers. Customer satisfaction is an evaluation of the service. According to Lewis and Booms (1983), service quality is the level of evaluation for how well the service delivery accord with customer expectations consistently.
Lehtinen J.R and Lehtinen U. (1982) illustrate that there are three quality dimensions: physical quality, corporate quality and interactive quality. Physical quality refers to the physical perspective of service like equipment. Corporate quality refers to the company’s image and interactive quality refers to equal contact between the staff and the customers, some customers and other customers. They believe that the service quality is based on the mutual effect between the customer and the service organization factors (Parasuraman, Zeithaml & Berry, 1985). The service organization factors include organizational goals, structure and flexibility; faculty composition and rewards; research and service orientation; and education approach (including service learning) (Holland, 1995).

Besides, Grönroos (1982) states the two types of service quality are technical quality and functional quality. Technical quality is the actual service acquisition of customers in the service process and the functional quality is the service delivery pattern from the service provider (Grönroos 1982).

According to the series of the author’s analysis (Grönroos 1982; Lehtinen & Lehtinen 1982; Lewis & Booms 1983), the central themes of service quality can be summarized as follows. The way a customer thinks of the service quality is more difficult to evaluate than how they think of the product quality. The perception of service quality is based by the consumer’s expectations compared with the service received. Therefore, the service quality is an evaluation of the process of service delivery.

The five dimensions in service quality identified by Parasuraman, Zeithaml and Berry (1985) include reliability, responsiveness, assurance, empathy, and tangibles.

2.5.1.1 Reliability

Reliability is about performing the promised service dependably and accurately. Reliability is the most important factor of the perception of service quality (Willson, 2008). Lack of the anxiety gives assistance for customer retention. This requires the firms to meet their promises, reduce uncertainty and so on (Lynch, 1995). Reliability emphasizes the accordance of the performance and dependability in the company. It means that the company should not only perform the service properly at first, but also keep their promises for their customers (Parasuraman, Zeithaml & Berry, 1985).

2.5.1.2 Responsiveness

This is the employees’ willingness to help customers and provide prompt service. It influences customer retention by reflecting the willingness and readiness of the provider based on the customer’s wish. Willingness is an attitude and the readiness depends on knowledge, confidence and empowerment (Lynch, 1995). It involves timeliness of service such as calling their customers back quickly and to give prompt service etc (Parasuraman, Zeithaml & Berry, 1985).

2.5.1.3 Assurance

Assurance is the employees’ knowledge, courtesy, and their ability to inspire trust and confidence. It eliminates the feeling of danger, risk and doubt (Parasuraman, Zeithaml & Berry, 1985). It provides
customers with safety, confidentiality and professionalism at all time. It creates a sense of physical impact on customer retention (Lynch, 1995).

2.5.1.4 Empathy

Empathy is about the caring individualized attention given to customers. It retains customers by signifying respect and reinforcing positive self-esteem (Lynch, 1995). It conveys the customers’ unique and special needs to the firm through customer service. The firm with empathy can also be regarded as having a big advantage to develop their business (Willson, 2008).

2.5.1.5 Tangibles

Tangibles are the appearance of physical facilities, equipment, personnel and written material. As the service provider, they can attract customers by both the objective and subjective reason. Therefore, the firms need to pay attention to both their objective and subjective appeal to retain customers (Lynch, 1995).

2.5.2 Product Quality

UNIDO’s webpage (2006) claimed that: “Product quality is the product’s ability to fulfill the expectation and needs set by the end user.” The quality of a product will determine if it satisfies customers’ demands and attracts customers to repurchase a product. For this reason, customer loyalty can be achieved by offering a good quality product with a firm guarantee.

Quality needs to be defined by parameters or characteristics, for a food product that will include taste, nutritional properties, texture, and shelf life etc. (UNIDO, 2006).

Companies offer goods and services in combination to their target market. Hence, Tanner and Raymond (2012) believe the essential of marketing changing customers’ needs and demands, instead of providing products or services. From this, it can be seen that companies need to know customers’ demands and then provide the high quality services and production to make them reach a high-level satisfaction.

2.5.3 Price

Price is another important stage of customer satisfaction. Kotler and Armstrong (2010) say that price is a sum of money paid for a product or service or the sum of value of the benefits of having or using the product or service that is swapped from customers. Price is also an important factor in marketing mix strategy, which can creates profit for companies.

Price is also one factor that contributes to customer satisfaction and is thereby worth further investigation (Bei & Chiao, 2001). According to Huber, Herrmann & Wricke (2001) price is an important element when customers select products and services. When customers believe that the price is good then they will repeat purchase, but if they do not think the product was worth the price,
they will not purchase it again.

Research has summarized the customer satisfaction as directly affected by price sensation, and indirectly affected by the price fairness concept (Huber, Herrmann & Wricke, 2001). For this reason, marketing managers should focus on analyzing the customers’ response of changing prices (Martin, Molina & Esteban, 2007).

Figure 2 is a summary of section 2.5, which shows that the customer loyalty comes from customer satisfaction and customer satisfaction comes from service quality, product, and price.

![Figure 2 Relationship between Customer perceptions of quality and customer satisfaction (Wilson, Zeithaml, Bitner & Gremler, 2008)](image)
3. Methodology

This part explains the reason behind using the specific method in the thesis, how the data has been collected and how it has been analyzed. The reliability and validity of the collecting and analyzing process as well as the limitation of the research for the study is presented.

3.1 Research Approach

Research can be defined as a “structured inquiry that utilizes acceptable scientific methodology to solve problems and create new knowledge that is generally applicable” (Grinnell, 1993). Research described a careful, systematic, patient study and investigation into a subject in order to discover knowledge and it is undertaken to establish facts or principles (Grinnell, 1993).

Bryman and Bell (2007) claims research approach can be divided into two categories: deductive approach and inductive approach. Deductive Approach has been stated that “deductive means reasoning from the particular to the general. If a causal relationship or link seems to be implied by a particular theory or case example, it might be true in many cases. A deductive design might test to see if this relationship or link did obtain on more general circumstances” (Gulati, 2009). Bryman & Belle (2011) informed that deductive research approach explores a known theory or phenomenon and tests if that theory is valid in a given circumstances. Deductive research normally associates with quantitative research approach. The quantitative approach will be developed in section 3.2.

Inductive research begins with detailed observations of the world, which moves towards more abstract generalizations and ideas (Neuman, 2005). Inductive research “involves the search for pattern from observation and the development of explanations – theories – for those patterns through series of hypotheses” (Bryman & Bell, 2011).

This study will focus on investigating customer loyalty based on theoretical part that had mentioned in chapter 2. Since the authors used theory and made a survey as quantitative approach in this thesis, it fulfilled the requirements of deductive approach, therefore, this thesis used deductive research approach to analyze data.

3.2 Research Strategy

There are two different types of research strategies, which are fundamentally different research approaches: the quantitative and qualitative methods. Adcock and Collier’s book (2001) stated that quantitative data collection usually involves numbers, graphs and charts, whereas a qualitative data collection method deals with feelings and other non-quantifiable elements.

Bryman and Bell (2011) defined quantitative research concerned with the measurement and analysis
of relationships between variables rather than processes. It expresses the data in the form of numbers and analyzes the results of statistics. Therefore, the quantitative researchers use mathematical models and statistical tables to relate to the research in transpersonal terms.

To measure up the deductive research approach and approve the theory, numerical data is needed. This thesis uses quantitative research approach complemented with a questionnaire in order to find out what factors affect Generation Y to be loyal.

### 3.3 Research Process

There are seven steps in a research process consists of research problems, extensive literature survey, development of all research instruments and materials, preparing the research design and determining the sample design, collecting data, analyzing data, prepare the report and indentifying the needs for subsequent research (Kothari, 2004).

This thesis focused on what factors influence customer from Generation Y to be loyal to a coffee shop. Therefore, searched theory about customer loyalty was the first thing that needed to be done. During this process, it shows the relationship between customer loyalty and satisfaction cannot be separated.

After recognizing customer satisfaction as an important element, the next step was to find theories related to this abstract subject. With this information, the authors could define that satisfaction (service, price, and product) may be the factors that could influence customers’ loyalty and satisfaction in the Swedish coffee marketing. Moreover, authors created questionnaires for customers, which helped us to find out more about the thoughts of Generation Y customers. After authors had enough data after the authors have collected enough data from the questionnaires, the authors transferred them into statistical data and analyzed the data. Then this research could connect the data to the theories, thus allowing the analyzed data to connect to the theories so that the authors finally were able to see how these factors could affect people in Generation Y to be loyal to a coffee shop.

### 3.4 Pre-test

Considering there is no similar- prior research about customer loyalty to coffee shops in Swedish coffee market. The pre-test questionnaire was in order to allow the final questionnaire to be more reliable. This pre-test questionnaire had 132 respondents. The questionnaires were handed out by face-to-face to people who were under 36 years old and currently study in Mälardalen University or consume coffee in coffee shops in Västerås downtown. The outcome of the pre-test is conducive to test if authors can get the desired findings from answered questions. After the pre-test, the questions had been restructured and language mistakes were corrected. Meanwhile, the numbers of questions in the questionnaire were decreased from 22 to 19.
3.5 Questionnaire

3.5.1 Sample Population

With larger sample size, the outcome will offer more accurate research results, thus this thesis set out to achieve a sample size of more than 400 respondents. Additionally, such a sample size should put the primary data within a 5% margin of error. (Fisher, 2007)

Since the purpose of this thesis is to study the factors that influence customer loyalty in Generation Y, the respondents from the age of 17 to 35 were chosen to answer the questionnaires. Sweden is an open country with many immigrants; and in universities, there are many exchange students. Therefore, only respondents from those who have lived in Sweden for more than six months will be counted for, because if people who have spent less than six months in Sweden may not be sufficiently familiar with Swedish customers to be accounted for. In the process of conducting the research, data was collected by online research. The questionnaires were sent to “Mälardalen Högskola” students by the university email system, posted on Facebook to the authors’ friends who authors were certain that they are under 35-years-old, are Swedish who has jobs. Surveys were also conducted in various coffee shops and on the street of downtown. The targets included senior high school students and employed as well as unemployed people. Since the face-to-face interaction was made just before Christmas day, coffee shops were full of people. The authors have been to two Espresso House coffee shops, one Wayne’s coffee shop, and Café Granden in Västerås. The authors have also been to one Espresso House coffee shop and one Wayne’s coffee shop in Stockholm. After the authors got coffee shop staff’s permission and surveys were given to customers who were willing to participate. Some senior high school students also volunteered to answer the survey. The time it takes to answer each survey is about 3 to 5 minutes. That means the object of the investigation includes university students, high school students and people from different working fields in Sweden. In order to avoid duplicate data, the face-to-face interaction in coffee shops and the streets only surveyed people who are not from Mälardalen University. During the process of face-to-face interaction, some students who were aged 17 to 19 from senior high school were participating while they sat in coffee shops. Therefore, this study will cover all the ages in Generation Y so that make the result more accurate in the end.

Since this thesis is looking for the people in Generation Y in Sweden, the respondents are at least educated to a senior high school level and know English, so the questionnaires use English as the research language. The start-date of the online survey was the 16th of December 2012. In the 28th of December 2012, the survey stopped, having been answered by 442 respondents, which included 400 eligible respondents that finished all the questions. Around 200 respondents answered the questionnaire via email systems or Facebook, and 238 respondents were achieved from face-to-face interaction. Due to the data online being assembled from mainly students, and the data from face-to-face interaction being mainly from people with job, so the outcome from online and interaction is different and the difference had been discussed in analysis chapter.

3.5.2 Questionnaire Design

The first of the questionnaire-questions, number 1-8 are to establish basic demographic data. They
are addressed to people of generation Y who have lived in Sweden more than six months and who
likes drinking coffee. Fisher (2007) is against questionnaires that ask about more personal
demographic data than is necessary for a project. As such, this first section of the questionnaire asks
dichotomous questions about the target respondent’s gender, age, occupation and habits about coffee
drinking.

The second section involves questions regarding customer loyalty, which consists of five questions.
The objective of these questions was to gain insight into the respondent’s coffee drinking behavior.
The questions focused on factors influencing their customer loyalty to coffee shops.

The third section consists of four questions. These questions show how price, product and service’s
effect on customer satisfaction - that were mentioned in the theoretical framework section (Figure 3)
connect with customer loyalty. This can be things such as which price is better to make customers
become more loyal or which service customers prefer to get in coffee shops.

<table>
<thead>
<tr>
<th>Concept</th>
<th>Theory</th>
<th>Question number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Generation Y</td>
<td>Background of respondents which drink coffee and live in Sweden more than 6 months</td>
<td>1-8</td>
</tr>
<tr>
<td>Customer loyalty</td>
<td>What factors will influence customers loyalty</td>
<td>12,13,14,16,17,18,19</td>
</tr>
<tr>
<td>Customer satisfaction</td>
<td>Customer satisfaction consists of service quality, product quality and price.</td>
<td>9,10,11,15</td>
</tr>
</tbody>
</table>

*Figure 3 Structure of Questionnaire*

3.6 Data Collection Process

Data collection takes a very important place in this study. The pre-research is the research made in
relevant books, articles and theses allowed this thesis to construct a conceptual framework, identify
trends, and point out existing findings in the topic area under discussion. Primary data will allow the
testing of the theoretical framework and the answering of the research questions through the
collection of feedback from Swedish Generation Y who answered the questionnaire.

3.6.1 Literature Review
Ghauri and Grønhaug (2005) write that building knowledge of relevant literature is an important part of a study. It helps people to have a clear start with the main topic and saves time. Ghauri and Grønhaug (2005) also suggested a literature review as the first step in a research project as it could help the authors refine and provide a basic answer of the research question. In this thesis, relevant literature was collected by using Discovery (provided by Mälardalen University Library) and Google Scholar as source material. The Google search engine was also used when developing the ideas and groundwork for this project, as it proved useful for finding information related to customer loyalty. To ensure the thesis found all relevant academic articles, the following keywords were used:

Customer Loyalty; Generation Y; Customer Satisfaction; Service quality; Production Quality; Price.

3.6.2 Data Collection

Ghauri and Grønhaug (2005) state that primary data is necessary when secondary data cannot fully answer the research questions posed in a thesis and primary data is the data that is collected by the authors themselves. It means that primary data should be the data that was presented first time.

Because the definition of primary data above, this thesis uses the quantitative data collected through online questionnaires and face-to-face interaction from Swedish coffee consumers. The sample size is composed of 400 candidates consisting of both genders, age and are in different occupations and choosing from the internet, street and coffee shops. These respondents have lived in Sweden for more than six months in both genders, age, and from different work areas.

Secondary data is the data that had been collected by other authors. The result of this thesis only used the data collected by ourselves, so this thesis does not have secondary data.

3.7 Analyzing the Data

In order to get the accurate answer, the answer needs to analyze the appropriate data effectively (Davies, 2007). By survey-software-tool that provided by Qualtrics, this thesis could make a questionnaire report with inter-compare and cross-compare analysis. It is very important and useful in this survey, such as people who thought they were not a loyalty customer but their behavior is the same as loyalty customer.

3.7.1 Reliability

Sachdeva states that in the viewpoint of researchers, reliability refers to “repeatability” and “consistency”. If the measure is considered reliable, then it should get the same result repeatedly (2009). Since the sample size of the questionnaire will be more than 400 samples and three people analyzed the results of the analysis, the subjective judgments would influence reliability. To improve the reliability, this thesis will not only use the data statistics, but also complement the data statistics with the framework theories.
The questionnaire used all the theory mentioned before and each question has a clear goal towards the respondent. This thesis also aimed to meet all requirements mentioned above in order to increase the reliability of this research. Therefore, increasing the reliability of the results.

3.7.2 Validity

Sachdeva (2009) formulates different kinds of validity: Conclusion validity, internal validity, constructs validity and external validity. They are dependent on each other. Additionally, high validity usually shows with high reliability but high reliability may not stand for high validity (Olsson & Sörensen 2011).

In this research, the authors generalize the constructs in line with the questionnaire in order to receive the responses from the respondents as coffee shop consumers. More validity provide by the sample size, target, thus with the high concern of them will make the conclusion more accurate. The conclusion validity refers to the relation between the factors of the consumer loyalty of the different coffee houses in Sweden.

Since the target group for this thesis is Generation Y, population validity is of particular relevance. Moreover, the validity of questionnaire would influence the validity of the thesis. Therefore, one of the aims was to make all questions relevant with theories. The pre-test ensure that the questionnaire is more valid. This thesis also tried to use multiple resources to increase the validity. Combining the questionnaire analysis with the framework theories will also make the findings more valid.
4. Findings

This chapter contains all of the collected data from the conducted survey; the findings are also presented here.

4.1 Generation Y

The questionnaire consists of 20 questions regarding customers’ loyalty towards Swedish coffee shops. The qualified respondents are Generation Y people and have lived in Sweden for more than six months. There have been 442 respondents submitting the survey in total, 30 of which had not been living in Sweden more than six months and 12 who were not of Generation Y. Therefore, among these respondents only 400 respondents were fitting the requirement of the survey.

The first section is based on demographic characteristics of Generation Y, include question 1 to 7.

1. *Are you living in Sweden or have been here more than six months?*

![Pie chart showing 100% Yes and 0% No]

Only qualified respondents were accepted in this survey so all of them 400 respondents have been living in Sweden for more than six months.

2. *Do you drink coffee?*

![Pie chart showing 78% Yes and 22% No]

There are 312 of the respondents chose “Yes” (78%) and 88 of the respondents that chose “NO” (22%) regarding drink coffee or not. For those who do not drink coffee, they may still go to coffee shop for some reason as asked in question 8.
3. Your gender?

![Gender Pie Chart]

216 respondents are male (54%) and 184 are female (46%).

4. Your age?

![Age Pie Chart]

There are three age groups. The age group of 17-25 consisted of 192 respondents (48%). There were 156 of the respondents in the 26-30 years old group (39%) and only 52 respondents of them were in group 31-35 years old (13%).

5. Your occupation?

![Occupation Pie Chart]

The majority of the respondents (216 persons or 54%) were students. 32 of the respondents were self-employed (8%) and 28 of them work in banking or the financial sector (7%). 28 of respondents worked in sales or marketing (7%). Only 24 of the respondents answered medical (6%), 20 answered manager as their occupation (5%), 20 respondents worked with IT (5%) and 16 of respondents were
unemployed (4%).

6. *How many cups of coffee do you drink per day?*

![Coffee Consumption Chart]

Question 6 shows that 128 of respondents drank one cup of coffee per day (32%), and 124 of the respondents drank two cups of coffee per day (31%). 56 people answered they drink three cups of coffee per day. Only 16 people would like to drink more than 3 cups of coffee per day.

7. *How many times do you go to coffee shops per week?*

![Coffee Shop Frequency Chart]

When asking respondents “*how often do you go to coffee shops?*” Out of the 400 respondents, 64% of them went to coffee shops once per week, 18% of them did not go to coffee shops, 14% of the respondents chose two times per week. Only 4% of the respondents went to coffee shops more than three times a week.
8. *You go to coffee shops for (multiple choice)*

![Figure 4 Demographics in Generation Y](image)

When respondents considered this question, there were 88% of respondents answered that they would like to meet friends in coffee shops. 49% of the respondents that they want to relax, 29% answered they just went for drinking coffee and 13% of the respondents said that date in coffee shops. Only 8% of the respondents said they went to coffee shops for business.

4.2 Customer Satisfaction

9. *How much are you willing to pay the maximum amount for a cup of coffee?*

![Figure 5 Price](image)

In question 9, the responses showed that almost all of the respondents chose they would pay between 26 and 35SEK for a cup of coffee. 108 of all respondents chose they would pay between 16-25SEK and 64 respondents said they would pay price 36-45SEK. Only 8 respondents chose they buy coffee that cost 5-15SEK and as few as 4 respondents said they could accept a price of more than 45SEK per cup.

10. *What type of coffee do you purchase in a coffee shop? (Maximum selection is three and ranks the favorite of following product).*
The responses showed that cappuccino was the most popular one in the first choice (26%). In addition, a large group of respondents 23% said that latte was their first choice. Generally, latte also is the most popular coffee in coffee shops

11. How do you rank the factors that are important to you for choosing coffee shop? (Maximum selections are three)

Price (30%) is the most important factor affecting the choice of coffee shops amongst Generation Y as the first choice. There are 26% of respondents claiming that comfortable facilities is the second important element as well as Service quality (24%) and the last is Product quality (20%). In general, 88% of respondents chose the good coffee taste. The next most popular factor chosen was comfortable environment (83%). The percentage that chose good service is 66% and good price is
15. What kind of service is important to you in coffee shops?

When answering about what kind of service was important to them as customers in coffee shops, the largest percentage (36%) claimed that staff being respectful to them is the most important for them. Many respondents thought suitable environment (35%) was an important thing to consider when visiting a coffee shop. Less important factors were provision of products and services that had been promised (22%). When customers feel satisfied with service coffee shops provide with, they would like to recommend the coffee shop to their family or friends. 93% of the respondents answered they would do so.

4.3 Factors Affecting Customer Loyalty

12. Are you a regular visitor to a specific coffee shop?
13. When you want to buy a cup of coffee, do you go to the same place and buy it, even you may pass other coffee shops?

![Pie chart showing 28% Yes and 72% No]

14. What factor could make you to become a loyal customer to that specific coffee shop? (Maximum selections are three factors and rank them).

![Bar chart showing factors influencing customer loyalty]

*Figure 10 Factors influencing customer loyalty.*

From question 12, 13 and 14, in general, 87% of respondents turn out to be loyal customers because of the comfortable environment, whereas 74% of respondents chose coffee taste could influence them to be loyal to a coffee shop. Good service (54%) was another important reason that makes them become loyal customers. The percentage of choice of good price as the most important factor was 45%. Distance may also affect Generation Y’s loyalty since 44% of respondents chose they base their choice of coffee shop if its short distance or not.
16. What kind of loyalty program suits you best in the coffee shop?

![Loyalty program diagram]

There are 48% of respondents indicating that discounts are the most attractive loyalty program to them. 25% of them choose loyalty card as the most attractive program and 6% of the respondents would like to try new products. At last, there are 2% of them hoping to be reminded of promotion by SMS to their phones.

17. Would you recommend the coffee shop you always choose to your friends/family?

![Recommend to other people diagram]

Generation Y likes to share their experiences and 93% would like to recommend the coffee shop that they like to others.

18. If other coffee shops have some promotion or discount, how does it affect your choice?
19. In what situation you would change the coffee shops?

![Figure 13 Factor influencing customer change coffee shop](image)

From question 19, the data shows if coffee shops changed their coffee quality, there would be 39% of respondents would change coffee shops. Less important reasons are service change (25%) and increased distance (26%). The least important factor is increasing price (10%).
5. Analysis

An analysis is presented and discussed in this chapter. It is connected to the theoretical framework and to the findings. Every theoretical concept and piece of data is used in this part, followed by a study of the research question.

5.1 Generation Y

The data of question 5 show that out of the different occupations of respondents, students make up a sizeable proportion (54%). To a certain extent, because there are so many students in this survey, their answers will influence the effectiveness of the result. This is because in actual life students do not have the same purchasing power as people who have jobs.

Out of the people who responded to the survey, 22% of the surveyed population did not drink coffee. However, in these 22% of respondents only 17% of them do not go to coffee shops, the rest of them still go to coffee shops. So in this survey, all respondents’ answers have been considered.

Question 6 shows that 80% of the people of Generation Y drink at least one cup of coffee per day. The results show that the mean value of this question is 1.52. It is not even close to the data from ICC (2010), which shows that Swedes drink 3.2 cups of coffee. The demand for average students is 1.08 cups of coffee per person a day, for non-student is 2.02 cups of coffee per person a day. This shows that people who are not students drink more coffee than students.

Question 8 shows that 88% of the respondents go to coffee shops to meet friends. This proves that drinking coffee has already become a way to socialize. The second most common reason affect people go to coffee shops is to relax and as many as 48% answered so. Only 29% of the respondents go to coffee shops just to drinking coffee. This data shows that customers chose coffee shops not only because of the quality of the coffee, but also depending on factors such as the environment which increase satisfaction rate and in return become loyal to that specific coffee shop..

5.2 Customer Satisfaction

In question 9, which asks “how much are you willing to pay for a cup of coffee”, there were non-surprising results from students - close to 53% answered that they would pay 16-25 SEK/cup of coffee and 41% answered that they would pay 26-35 SEK/cup of coffee. Looking at the non-student answers, the results are a little different. Out of these respondents, 55% answered that they would pay 26-35 SEK/cup and 31% of them answered that they would pay 36-45 SEK/cup of coffee. Most customers of Generation Y will accept a price between 26-35 SEK/cup of coffee. This indicates, for some respondents, the price may be one major factor when contemplating level of loyalty to a specific coffee shop. This verifies price is an important stage of customer satisfaction (Kotler & Armstrong, 2010) and customer loyalty comes from customer satisfaction. If customers are not satisfied, they will not be loyal to that company (Bitner, 1990).
Another reason that affects customer satisfaction is the product. In question 10, from the statistics of the first choice, authors can see that 26% of consumers chose cappuccino as the first option that they will consider to buy in coffee shop, the next one is Latte that is 23% and 20% of them chose Black coffee. These results of first choice are very close. In general, the most popular coffee in Sweden is Latte was chosen by 85% of respondents. Black coffee is 74% at second position, and then there are 59% of people who chose Cappuccino. Finally, after researching and analyzing these two results, people are more likely to drink Latte in a coffee shop under normal conditions. Nevertheless, sometimes when people have special requirements, they will go to a specific coffee shop, which provides the right type of coffee that they like, such as Cappuccino. The coffee providers need to know the needs and demands of their customers during the time they start to enter the market. This is the fundamental condition to achieve the customer satisfaction, providing high quality products and service are based on this element (Parasuraman, Zeithaml and Berry, 1985; Monday, 2012).

Drawn from data collected through the survey, it is concluded when people of Generation Y are choosing coffee shops; product quality is the first factor they consider. 85.5% of people answer so in question 11. If they think the coffee shop provides good quality coffee, they like to go to that specific coffee shop. The males and females also differ in their choices when it comes to coffee and base their decisions on differing parameters. If the quality of the coffee is good, it can attract them to repurchase it. Therefore, providing good coffee as promised is the defining factor of the shops with a high reputation (UNIDO, 2006). The second most popular factor is comfortable facility which was selected by 81% of the respondents. Third in importance is the service quality - people pay attention to the respect they get from staff and how suitable the environment is in a coffee shop. Another point is that price is the less important element for Generation Y to choose or become loyal customer to a coffee shop. When looking at students’ survey, price change is only the third most important factor for them. The result is a little bit different for student group as more student respondents chose comfortable facility, product quality come to the second place and in third position is price.

In question 15, people were asked, “What kind of service that is important to you in the coffee shop?” 36% chose “Staff are respectful to you” There are many factors that could influence customer satisfaction, but staff can give customers a direct image of the coffee shop. For people of Generation Y, respect or acceptance from others is important. Consequently, staff being respectful to customers can contribute to customers feeling satisfied massively. Swedish coffee shops exist in a mature and competitive market, service delivery is the necessary business strategy for them to survive and be successful (Parasuraman, Zeithaml, & Berry, 1985). It demonstrates that customer satisfaction and quality service are inseparable; having the right attitude and behavior is the responsibility is essential for all employees. Having a suitable environment is a large part of service quality, 35% of the respondents said they want to have a comfortable environment in coffee shops. Because most people (88%) meet friends there, it is important for customers to have a nice and comfortable environment. This data again proves the environment is always an important factor for respondents when deciding to go back to which specific coffee shops. As a result, the coffee providers need to pay attention to environment in order to retain their customers (Lynch, 1995). The other 22% think that being “provide the product and service as they promise” is the significant service.

Coffee shops should have some loyalty programs to build relationship with their customers in order
to achieve their customer loyalty. Loyalty programs are not only building relationship with customers but also increase consumption of other things with the same coffee shop (Uncles, Dowlings, & Hammond, 2003). The purpose of question 16 “What kind of loyalty program suits you best in the coffee shop?” that is in order to get to know whether customers would like to build relationship with coffee shop through loyalty program. There were 82% of respondents claimed they are interested in loyalty programs and they wanted to get benefits or fund belonging by having a loyalty card. From these data, customers actually would have liked to become loyal customers. When a coffee shop has a good loyalty program it will make customers want to stay loyal to that coffee shop. If customers believed the values are better than other similar coffee shops, they will become a loyal customer in that shop (Mao, 2010). Consequently, loyalty programs become an important thing to provide a steady relationship with customers and it is a good way to increase customers’ consumption (Uncles, Dowlings, & Hammond, 2003).

Data from question 17 shows that 93% respondents would like to recommend the coffee shop they like to their friends and families. For coffee shop service business, word of mouth is very useful and it will bring more business opportunities. As Kotler and Armstrong (2010) wrote in the book, satisfied customers would like to share their good experience to other people. It also side confirms what Mao (2010), Sirdeshmukh et al. (2002) mentioned, customer loyalty is positively related to customer values. Loyal customers bring more profits to the company than other customers.

5.3 Customer Loyalty towards Generation Y

In general, 272 of 400 responses, 68% respondents were regular visitors to a specific coffee shop. 54% are male and 46% are female, this result is same as total sample. 95% of managers are regular customer, 87% of people work in banking or the financial sector customer. For unemployed people, only 46% are regular customer, for students the percentage are 60%. Therefore, the level of income leads to different level of loyalty. For a person who has low disposable income, price is an important factor (Bei & Chiao, 2011)

To analyze respondents’ conditions of customer loyalty, authors need to consider the data from question 7, 12 and 13. 47% of 400 respondents are regular customer to a coffee shop at least once a week, moreover they even like go extra mile to the coffee shop. These respondents show they have high relative attitude and high repeat patronage they can be called loyalty customer (Dick & Basu, 1994). 11.5% respondents have high relative attitude and low repeat patronage. These people go to coffee shops is less than once per week but they are regular customer and would like to go extra mile for the coffee shop when they want to purchase coffee. They are latent customer (Dick & Basu, 1994). 35.5% of the respondents have high repeat patronage but low relative attitude because they do not think they are regular customer or will not go extra mile for the coffee. Therefore they can seem as spurious loyalty customer. (Dick & Basu, 1994) 6% of the respondents show no loyalty to coffee shops at all because they barely purchase coffee in coffee shops and do not want to go extra mile (Dick & Basu, 1994). Question 15 is one of the major questions in this questionnaire. It directly asked respondents what factor makes them become loyal customer to that specific coffee shop.

First, no respondents said they were simply not interested at all in coffee shops. This indicates that
although people say they were not a regular visitor to a specific coffee shop, they were interested in becoming loyal customers. This also cater to Bartlett’s view that Generation Y has brand-conscious and Aimia’s research that in some situation Generation Y may even be more likely to become a loyal customer.

In general, the result shows that 87.25% of people become loyal customers because of the comfortable environment provided by a coffee shop. As Lynch (1995) claims, service provider can attract customers by objective reasons. 74.25% of respondents value coffee taste – if the coffee has good taste, then it could make them to be loyal. Another factor that has been selected by more than half of the respondents is service, which had 54.75% respondents chose this factor. The outcome also shows students have difference opinion about price. Students take price as an important factor. This is also the reason why 18% respondents chose price as the most important factor could make them become a loyal customer. Additionally, for those who are not regular customers also have the same result as students, except they take service is more important than food/snacks supply.

Therefore, for all the respondents, the most important factor which made them become a loyal customer is comfortable environment, second factor respondents considered is coffee taste, and the third factor is service. These factors are also the same for respondents to choose coffee shop. Price is one important factor for students.

In question 18, when respondents were asked that “If other coffee shop has some promotion or discount, how does it affect your choice?” Half of the respondents claimed that it would influence their choices. Therefore, customers were attracted by hard rewards and it was an easier way to create a long-term relationship between a coffee shop and customers (Hammond, 2003). Through implement price strategy or service strategy in loyalty program, coffee shops could push forward the development of coffee shops’ promotion. Therefore, when a customer is in a loyalty program, there is an increased possibility that the customer will re-patronize.

When asked, “In what situation you would change the coffee shop” in question 19, people still think about coffee quality first. 39% of the respondents answer the survey in this way, 26% of respondents think long distance to the shop would make them want to change coffee place, while 25% chose service change and 10% chose increased price as factors that would make them change shops. This shows that although people think they can walk extra mile to go to their coffee shop, they do care about the distance to the coffee shop. Coffee quality or taste has an advantage over other factors to make customers become loyal customers.
6. Conclusion

This chapter offers an overview of the conclusion drawn from the significant findings and analysis parts. Its purpose is to answer the research question posed in this study.

From the theoretical framework and data that has been collected, this thesis was able to answer the question presented in the problem description and research question: does people of Generation Y in Sweden have loyalty towards coffee shops and what factors affect the people of Generation Y’s loyalty to coffee shops? What are the bases of Generation Y’s loyalty for coffee providers – coffee shops? What influences them to be loyal?

First, people of Generation Y have loyalty to coffee shops. Only a few people do not have any loyalty to specific coffee shops. They generally switch coffee shops or do not go to coffee shops at all. Nearly half of the respondents have loyalty to coffee shops with high relative attitude and high repeat patronage. Next are the respondents with spurious loyalty. 35.5% of the respondents have high repeat patronage but they do not have high relative attitude to the coffee shop. These customers could become loyal customer if coffee shops can keep them by using loyalty programs. 11.5% of people are latent customers. To raise Generation Y’s customer loyalty level, coffee shops can issue some loyalty program since all respondents are interested in loyalty program.

The data has shown what factors affect Generation Y’s loyalty. Since customer loyalty comes from and is affected by customer satisfaction, to understand what factors influences customer’s satisfaction rates should be done first.

The product quality is the most important factor to when it comes to resulting in satisfied customers; most of the respondents consider the product quality when they choose a coffee shop. Furthermore, most of respondents would change their choice of coffee shop if they think the company provides worse coffee quality than before. Therefore, coffee providers can keep their customers if they keep providing good quality coffee. The second factor, which affects respondents’ satisfaction, is the environment. Generation Y use coffee shops as a place to relax and socialize, so it is easy to understand that they prefer a comfortable place. Price is a factor that can influence customer satisfaction of students and unemployed people. As price take an important place here, comfortable environment become the factor that students are looking for first instead of product quality.

When go to next level to find out what factors would make Generation Y become loyal customers, the result is switched. Comfortable environment and facility is the key factor for Generation Y to become loyal. As people desire a comfortable and suitable environment to socialize, coffee shops can make customers come repeatedly by providing a good environment. Coffee quality is the second most important factor to affect Generation Y’s loyalty. People want to have high quality coffee from coffee shops and this is why they go to a coffee shop to drink coffee.

Generation Y wants to have respectful service when they are in coffee shops. As Sally (2012) mentioned, Generation Y’s characteristic include attention-craving. Price is, again, important to that Generation Y with low income, such as students and unemployed people. Furthermore, price is a
factor that could attract new customer. The data shows half of respondents would like to go to other coffee shops, if other coffee shops have a promotion or discount. Moreover, most respondents would like to have discounts as a reward in loyalty programs similar to member cards. As all the respondents were interested in loyalty programs, authors can safely say that people of Generation Y are interested in loyalty programs.

To summarize, by providing good quality coffee, coffee shops can attract the people of Generation Y and by providing comfortable and suitable environment coffee shops can make customers of Generation Y visit the coffee shop repeatedly, and finally gain their loyalty. Furthermore, coffee shops can use loyalty programs to gain higher customer loyalty from customers.
7. Future Research

Some suggestions for future researchers are given in this chapter, in order to help them further explore the field discussed in this study.

The conclusion is based on survey and theory, which included Generation Y, customer loyalty and customer satisfaction. However, personal factors and situational factors is an area that this thesis did not reach in to. It could be that some interesting results would be found if future research could consider these two factors.

Further study could research somewhere in other countries in Europe or Scandinavia for similar research in tea and fast food industries and other similar research of customer loyalty. It would also be interesting to research whether shop sales increase when coffee shops issue customer loyalty programs. This would further show the effectiveness of customer loyalty programs. Since customers often say one thing and act in another way, it would increase the validity and reliability of this study to also research whether there are any increase in sales - and in that case how much - in coffee shops when they issue customer loyalty programs such as member cards and price offs.

Finally, in which way does the environment, like the country or the city in which the customers live and work in, affect customer loyalty in generation Y? Further study could focus on whether or not the results of customer loyalty in generation Y are similar in research following the same model as this one in other countries or other business fields such as clothes and fast food restaurants.
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Appendix A – Questionnaire

Customer Loyalty for Coffee shops in Sweden

Q1 Are you living in Sweden or have been here more than six months?
☐ Yes ☐ No

Q2 Do you drink coffee?
☐ Yes ☐ No

Q3 Your gender?
☐ Male ☐ Female

Q4 Your age?
☐ 17-25 ☐ 26-30 ☐ 31-35 ☐ 36-older

Q5 Your occupation?
☐ Banking/Financial ☐ IT ☐ Manager
☐ Medical ☐ Sales/Marketing ☐ Self-Employed
☐ Unemployed ☐ Student ☐ Other __________

Q6 How many cups of coffee do you drink per day?
☐ None ☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ More than 4

Q7 How many times do you go to a coffee shop per week?
☐ None ☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ More than 4

Q8 You go to coffee shop for (multiple choice)
☐ Business ☐ Dating ☐ Just for coffee
☐ Meet friends ☐ Relax ☐ Other (6) __________

Q9 How much are you willing to pay the maximum amount for a cup of coffee?
☐ 5-15 SEK ☐ 16-25 SEK ☐ 26-35SEK ☐ 36-45 SEK ☐ More than 45 SEK

Q10 What type of coffee do you purchase in a coffee shop? (Maximum selection is 3 and rank the favorite of following product, 1 means least & 3 means most.)
  __ Black Coffee            __ Latte             __ Espresso
  __ Cappuccino             __ Mocha            __ Other __________

Q11 How do you rank the factors that important to you for choosing coffee shop?
(Maximum selections are 3 and rank the importance of following factors, 1 means least & 3 means most.)
  __ Comfortable facility      __ Service quality      __ Product quality
  __ Price                    __ Other __________
Q12 Are you a regular visitor to a specific coffee shop?
☐ Yes    ☐ No

Q13 When you want to buy a cup of coffee, do you go to the same place and buy it, and even you pass other coffee shops?
☐ Yes    ☐ No

Q14 What factor could make you to become a loyal customer to that specific coffee shop? (Maximum selection is 4 and ranks the importance of following factors, 1 means least & 4 means most.)
☐ Broad coffee supply    ☐ Coffee taste    ☐ Comfortable environment
☐ Free wireless network    ☐ Good service    ☐ Good supply of food/snacks
☐ Short distance    ☐ Price    ☐ Just not interested    ☐ Other

Q15 What kind of service is important to you in the coffee shop?
☐ Provide the product and service as they promise
☐ Staff are respectful to you
☐ Individual service
☐ Suitable environment
☐ Modern facility    ☐ Other

Q16 What kind of loyalty program suits you best in that coffee shop?
☐ not interest    ☐ Loyalty card    ☐ Discount
☐ Remind promotion by SM    ☐ Preferential try new product
☐ Other

Q17 Would you recommend the coffee shop you always choose to your friends/family?
☐ Yes    ☐ No

Q18 If other coffee shop has some promotion or discount, how does it affect your choice?
☐ No different to you    ☐ You will go

Q19 In what situation you would change the coffee shop?
☐ Coffee quality change    ☐ Increase price    ☐ service change    ☐ Long distance    ☐ Other

Thank you for your time, Merry Christmas and Happy New Year!