Coffee House Consumer Behavior in Changsha, China

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Photo: Upper Left, Costa Coffee Saturday March 28, 2015 at 2p.m. Changsha Buxinjie
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ABBREVIATIONS

CLV- Customer Lifetime Value
CRM- Customer Relationship Management
RMB- RenMinBi (Chinese Currency)
QR Code- Quick Response Code

ABSTRACT

Women in Changsha are patronizing coffee-houses, ordering beverages and sweets, and disliking the taste of the expensive product purchased. This thesis is an exploratory research study conducted in Changsha, China with a consumer behavior focus. It uses primary surveys and interviews in addition to secondary sources from books, articles, and academic journals. It seeks to identify underlying motives for purchasing behavior from working women in the developing third-tier city Changsha, Hunan, China. It delves into the psychology of the working women who spend their hard-earned discretionary incomes at costly western chain coffee-houses.

The inland mass-market consumer class feels the desire to project their newly established status while needing to save money for their personal future, their children’s schooling, and their parent’s retirement. They must wisely spend discretionary income while satisfying social societal norms. An individual’s self-concept plays an important role in determining which coffee shop she will frequent and what she will order. Daylight Donuts, Starbucks, Costa Coffee and local café’s all serve brewed coffee but they have different associations. This study aims at understanding the influencing factors associated with coffee-house brand equity and how the consumer’s perception of the brand forms her purchasing behavior.
All coffee-house brands are relatively new in Changsha, none existing more than seven years. They do not have lasting ties with the community and need to create consumer relationships to ensure sustainability. Changsha women are bold and strong willed. If a corporation is to succeed in the future of Hunan, it will need to create an environment of hospitality excellence, place socially responsible roots in the society, and ask its customers what they want.

**Introduction**

"Until recently, 'Understanding of the Chinese consumer market has been severely limited due to the lack of reliable data regarding consumer perceptions and consumption patterns. As a result, little is known about Chinese consumer behavior and how to segment the market.' Because of the lack of knowledge about consumers demographic segmentation is currently used by a vast majority of consumer good marketers."**Erro! Indicador não definido.** Consumer behavior is extremely important in emerging China. It is the only way to form a bond with the customer and achieve customer lifetime value. The few studies of the past have focused on coastal cities and extended the findings to cities in the interior. This is evident in the setup and offerings at major coffee shops in Changsha, China.

Changsha is the capital of the Hunan Province and home to over 7 million residents. Many of these individuals are part of the emerging middle class and have discretionary income. Hunan culture has a long history and is very strong. Hofstede proclaimed culture influences values in the workplace. This ideology can be applied to the value of meals and associations within the coffee house industry.
Hypothesis

Women in Changsha, China are not being catered to in the coffee-house industry. The shops erected do not take into account the tastes and lifestyles of Changsha individuals. The women of Changsha are treated the same as the women of Beijing, Shanghai, and Guangzhou; while they share similarities with other women in the nation, they have unique tastes which oppose those of coastal cities. Provincial attention is necessary to maximize brand-love-equity and CLV.

Changsha customers have to travel to high volume areas like Buxinjie (Walking Street) or Tongchong Guanchang (the first plaza on the west side of the river) to reach a coffee shop, then, once they arrive are barraged with sweet foods and calorically rich beverages which do not compliment their culinary predilection. If coffee-houses want to maximize revenues, they need to study the patrons of each major area and adapt key attributes.

Objective:

This study is an analysis on consumer behavior in the Chinese coffee-house industry extrapolated to the micro level in Changsha, Hunan, China. It uses direct observation and inferential statistics to deduce consumer behavior trends in western coffee houses in Changsha, China. It aims at discovering what Chinese consumers want from a coffee-house experience. The goal is to find ways to improve the customer’s experience while generating ideas that can increase profitability for the coffee house in question.

This bottom-up study asks the customers directly what they want and inquires to what they already have habits of. This consumer-centric study questions if the target population frequents
coffee houses for the enjoyment of the products sold or for the atmosphere provided. Working women in third-tier city Changsha, China are frequenting coffee houses, purchasing sweets and beverages, and spending a sizeable portion of their paycheck to do so. This group utilized for this study are young to middle-aged women 25-45 years of age. They have been in the workforce for a few years (as college graduates usually finish around age 21 or 22 and high school graduates at age 18) and still have a few years before mandatory retirement. Retirement for women in China occurs at either age 50 or 55.\(^i\)

These women utilized in this study may be classified as the Chinese Generation X group. Generation X is a term imported into China, originally coined by photographer Robert Capa when he stated “We named this unknown generation, The Generation X, and even in our first enthusiasm we realised that we had something far bigger than our talents and pockets could cope with.”\(^ii\) This loosely defined term encompasses individuals born after 1966 and into the 1980s.\(^iv\) This group has a knowledge of technology and “grew up into their teenage years during the introduction of major digital technologies, such as Apple’s & PCs, start of the video game era, cable TV and the internet.”\(^vi\) This body of individuals experienced technology between the late 1970’s and through the new millennium. Due to the closing of its borders, this experiential generation originated a few years later in Hunan, China. With China’s 1978 Reformation under Deng Xiaoping’s, interaction with technology began and the X Generation separated from the Mao Generation.\(^v\) The “Me” or “X” generation purchase consumer goods and experiences with an idiosyncratic mentality; a reverse behavior from the Mao Generation’s collective ideology. This group of working women have disposable income, are successful in historic proportions, and are uneasily defined. The overall goal of this study is to find what consumers want in a coffee-house experience and what they are willing to pay for it.
Justification:

Consumer behavior in China is a relatively new and undiscovered field. Currently, there is no research on coffee houses in the growing third-tier city Changsha, Hunan, China. There are a great number of publications including books, articles, market research reports, and theses on Starbucks in “China,” coffee in “China,” and consumer behavior in “China.” These works focus on coastal cities like Beijing, Shanghai, and Guangzhou, they do not consider the burgeoning cities of China’s interior. Once a corporation ventures away from the coastal cities, the available research progressively diminishes. Internationally unknown interior cities like Changsha are important consumption hubs; according to the Boston Consulting Group the provinces of Chongqing, Hunan, Hebei, Anhui and the cities within them will “experience a boom in urban middle class and affluent households, with their numbers growing to about the size of Shanghai’s.” Howard Schultz (Starbucks CEO) stated “the big opportunity, in terms of total sites, is what’s happening in china; we’ve got 800 stores in [greater] China, 400 in the mainland. When all is said and done, we’ll have thousands.”

Changsha is a “major interior port as well as a commercial and industrial center.” It is a growing city where education is highly valued and women have the ability to become prosperous; “Zhou Qunfei is the world’s richest self-made woman,” is a Changsha native. “Between 2001 and 2005, Changsha's economy grew an average of 14% per year, compared to the national average of 9% during that period. From 2000 to 2010, the city population grew from around 6 million to 7 million, according to the China National Bureau of Statistics. In 2012, this central Chinese city unveiled a $130 billion investment plan for airports, subways, and other
expansion, Bloomberg reported. Changsha also plans to build the world's largest skyscraper, appropriately named Sky City, at about 2,750 feet tall.\textsuperscript{xvi}

Changsha’s surging incomes and recognitions as the one happiest places in China for seven years\textsuperscript{xvii} make Changsha a valuable city for studies and business ventures.

\textbf{METHODOLOGY}

\textbf{The Sample:}

This study focuses on working women aged 25-45 in Changsha, China during March of 2015. Changsha is a good representative third-tier city and according to Bloomberg Business one of “China’s Megacities-to-Be.”\textsuperscript{xviii} It has a strong culinary culture and began having a coffee culture in 2007 with the opening of the Fifth Tone coffee-shop (now closed).

The women were selected at random both inside and outside of coffee-houses in Changsha. The individuals who participated inside of coffee-houses were selected on weekdays and weekends from the morning until the evening. Some were patronizing alone and others were with friends, family, or working associates. After the questionnaires were completed, a note recounting the location, time, affiliates (if any), and purchase was documented.

The captive audience customers were targeted at strategic: Starbucks, Costa Coffee, McDonalds, Daylight Donuts, and local coffee shop locations in Changsha. They consider themselves to be part of China’s emerging middle class and have disposable income.

Of the women asked to complete the survey, 76 were in the sample age group, 72 had current jobs, 3 did not complete vital information regarding their age and therefore the individual’s
questionnaire was not used, 41 were not in the sample age group and therefore not used. The women used for the survey are both Chinese Nationals and foreigners. Of the 72 surveys used, 69 were completed by Chinese Nationals and 3 by Expatriates'.

The Universe:

China is a large nation with a population of nearly 1.4 billion people.

The Surveys:

Surveys were conducted in both English and Mandarin, Chinese. They were constructed with 7 multiple choice questions, 6 matrix’s with 3-5 rows and 5-8 columns, and 2 sections where the participant is asked to fill in information. They ask detailed questions about coffee, tea, and alcoholic beverage consumption in coffee houses, restaurants, bars, and at home. The surveys requested information about meal period locality habits for: breakfast, lunch, dinner, and snack times. They were broken down into weekday and weekend time frames. The participants answered inquiries about their preferred brand of coffee houses for brands located inside and outside of the city of Changsha. They filled in perceived appropriate prices for coffee-houses and compare that to meals of breakfast, lunch, and dinner. They were also asked about lifestyle habits including what they do on their way to work (listen to an iPod, read a book, carry a cup of coffee, use WeChat, eat breakfast or talk to friends) and other activities (shopping, visiting coffee houses, doing volunteer work, going to a bar, going to a movie theater, going to a museum, and going to a concert or show).

This study questioned the women about their culinary preferences within a coffee-house. What do they usually order? Coffee (hot or iced), tea (hot or iced), milkshakes, desserts, hot meals, or sandwiches. Do they drink coffee at home? Do they know how to brew coffee? If they go out to
a coffee-shop, who do they consort with? Friends, boss’s, coworkers, employees or significant others? They are also asked about their tendencies towards fast food brands (McDonalds, Papa Johns, Pizza Hut) all of whom serve a coffee option.

In addition to studying coffee, tea, and convenient habits, they are asked about alcohol. Do they drink? If they do drink, how often, and in what environment? Bars, restaurants or at home?

This study also aims at identifying brand-love equity among the target customer base. Given the relatively short time frame international coffee houses have been in Changsha (Daylight Donuts 7 years, Costa Coffee 3 years, Starbucks 4 years), who are the majority most loyal? Did this brand awareness occur before or after inception in the Hunan capital?

The objective of these questionnaires is to find a lifestyle pattern among working females in Changsha. Once we learn about their tendencies, habits and desires, we can better improve the customer experience while increase sales.

After each survey was completed, I had a conversation with the individual respondent. We had candid conversations about additional offerings desired, tolerance for sweet food and beverages and atmospheric observations. These comments were written down and participation was overwhelmingly positive.

**The Interviews:**

Two interviews were conducted with industry entrepreneurs. Noah Krieg(former owner of the Fifth Tone Coffee House), Sahra Malik (Co-Owner & CEO Shangrila Farms Coffee Company). These interviewees will speak about their observations, challenges and successes selling to consumers in China.
Additional interviews were conducted with coffee-house patrons after the completion of their survey. Approximately 5-30 minutes was spent speaking with the women who were selfless in their conduction of the survey and time spent discussing their viewpoint on coffee houses in Changsha. Many of the women asked why I was doing this research and I replied because I want to know what they want out of a coffee house experience. The women interviewed were candid and their insightful responses were of great value to this study.

Overview of Main Results

Market Segment:

Working women between the ages of 25 and 45 is a key market segment as these women went to junior high school (zhongxue) and high school (gaoxue) after Deng Xiaping’s reformation commenced and slightly before a time of little emperor spoiling. They evolved during a time when China was growing at a rapid rate and the American dream became the Chinese Dream. Many of these women have seen first-hand sacrifices of the generations before them and possibly have endured struggles of supporting their parents and grandparents. They grew up when technology was appreciated and can remember when west-side (hexi) of the city did not have any paved roads. Many of these women went to a university in hexi before McDonalds, Starbucks, and Daylight Donuts graced this area west of the Xiang River and when a permit was needed to cross the river. They were most likely the first people in their family to study any English at school and their parents may only speak Changshahua (the local dialect) fluently. They grew up eating and drinking traditional Hunan cuisine as western faire was considered a luxury, therefore their tastes for exotic foods was not cultivated in childhood.
These same women are now working as teachers, consultants, photographers, office workers, entrepreneurs, and print shop keepers, to name a few. They are surrounded by a professional culture where female drinking is considered forward and so they sit drinking corn-milk at banquets where male colleagues form bonds based on ganbei (toasting) with baijiu (Chinese liquor). They delicately balance the cultural differences that surround them between their parents who grew up during the Mao era, the men they work alongside, and the younger generation who grow up surrounded by a different internet induced reality.

According to Columbia University International Business in the Marketing Department Professor Bernd Schmitt "understanding of the consumer market has been severely limited due to the lack of reliable data regarding consumer perceptions and consensus patterns. As a result, little is known about Chinese consumer behavior and how to segment the market." Erro! Indicador não definido. Consumers in different regions of the country have different backgrounds and surroundings and therefore different purchasing behaviors. It is necessary to take into account their backgrounds, income, employment status, desired social status. Historical factors are relevant when segmenting by age because political conditions effect what an individual has been influenced by and exposed to during vital personality development years.

**Breakfast Consumption Trends:**

Meals are important time for forming bonds, discussing issues, and evoke a large portion of an individual’s paycheck. The location, amount of money, and food and beverages consumed on a regular basis are important factors determining one’s lifestyle habits. In Changsha many women eat outside of the home, especially for breakfast.
The majority of the women studied (81.94%) ate breakfast outside of the home at least once a week. A staggering 18% went out for their morning meal every day; the same number as never ate out. The morning meal market is huge in Changsha; by 7a.m. the streets are filled with carts selling steamed buns for 1-2RMB each, soy milk with dough sticks for less than 5RMB, and egg pancakes for 3-5RMB each. Shops sell noodle soup for under 10RMB and everything is served instantaneously. When Changsha women choose to eat breakfast outside of the home, they have the choice of patronizing street vendors, restaurants, or coffee shops.
The women surveyed were all working women who had different schedules and worked on weekdays and weekends. Weekdays had less time for breakfast preparations, whereas these women had to go to work, possibly commute, and potentially prepare their children for school.

Where Changsha Women Eat Breakfast on Weekdays, Figure 2
Where Changsha Women Eat Breakfast on Weekends, Figure 2

Figure 2
Figure 3

The majority of the women surveyed ate weekday breakfast at home or from a street vendor. On weekdays over half of the women eat outside of the home according to Figure 2. On weekends, the respondents overwhelmingly ate breakfast at home. Only 11% of the women surveyed ate breakfast at coffee shops, restaurants, street vendors, and other locations outside of the home on weekends.

In interviews with Jennifer Wong, Cherry, and Maria, all stated they ate breakfast at home on the weekends. Jennifer (34) stated she did so because it is convenient. She ate breakfast at home 1-2 days during the week and the other weekdays she ate at small restaurants near her school. She
stated she liked to eat breakfast at home on weekends because she had time to relax and could have a leisurely long breakfast at her dining table. She could sleep later on Saturday and Sunday and did not even have to worry about preparing the first meal of the day. Her father lives when her family and prepares weekend breakfast. In an interview with Cherry (33), she stated she ate weekday breakfast on-the-go from street stalls near her work. She described her hectic schedule as a university professor. She explained how she was a traditional Chinese woman and did not drink coffee; she primarily drank hot water. Her breakfasts usually consist of noodles, savory pancakes, or hot soy milk with dough sticks. She said she liked to eat breakfast at home but cannot do this due to her busy schedule. It was quicker to grab breakfast from a street stall than take the time to prepare a meal herself. When asked if a coffee-house would be a convenient place to grab breakfast on her way to work, Cherry replied it would not be. She said there were no coffee houses near her home or place of employment. She added, she would not spend that kind of money on a meal-on-the-go. International coffee shops were considered a treat to her; she said she liked to visit them with friends for a leisure activity. In an interview with Maria (40), she stated she ate breakfast at home almost every day unless it was at a restaurant near her office. She needed get her two children ready in the morning; the start to her day was hectic. She described how she made congee in a machine which cooked it in a way similar to a rice cooker and did not require human interaction. This was a fast and simple way to prepare a standard healthy breakfast. She placed emphasis on the importance of a healthy breakfast. She ascertained she did not drink coffee or tea in the morning, simply hot water. She explained how liked breakfast at home on the weekend best because it is comfortable. She had never gone to a coffee shop in the morning, she frequented coffee shops in the late afternoon by herself.
Since the majority of women surveyed choose to have breakfast at home on the weekends, and the women interviewed all described the comfort of weekend breakfast at home, we can hypothesize is because it is enjoyable to do so and a habit the majority are accustomed to.

Product Placement:

In third-tier Changsha, western influences are mostly learned through film, advertisements and social media. This rapidly growing city of over 7.3 million legal residents\textsuperscript{vii} has little direct contact with foreigners from Europe, the Americas, Africa, Australia and other Asian nations. Since direct contact is limited, the learning about foreign brands is limited to advertisements in movies and television shows and on popular sites like weibo and wechat. Working women aged 25-45 may or may not have acquired a taste for western foods and still consider it a treat. Product placement in China is expensive and complicated. Television channels like the popular stated controlled CCTV have placed restrictions and excessive pricing upwards of $1.5million dollars on product placement in the past, especially for highly anticipated events like the Spring Festival Gala.\textsuperscript{vii}

Costa Coffee and Daylight Donuts do not place their products in a multitude of international films. Costa sells its coffee based on a marketing mix of strategic location, the image of luxury, a reputation for quality, and a warm and relaxing atmosphere.\textsuperscript{viii} Daylight Donuts is Chansha’s premier coffee house but does not seem to have an aggressive marketing campaign. Their products are not seen in any films, movies, or television shows. They also do not have a strong presence online. Twelve of the women interviewed had never even heard of Daylight Donuts.

Coffee-House Definition:
Since the inception of the Jamaica coffee house in London and the invention of T.I.P.S. (to insure prompt service), a coffee house has been a meeting ground for the upward mobilizing classes who were willing to pay a premium for a visual sphere. In China, upward mobility is the goal of many and this parallels a historic belief as “Confucianism has always espoused social mobility.”

Upward mobilization is a career and financial ascension as well as a visual one. “The middle class engage with society to get recognition for financial success.” It’s important to note, though, this is not about arrival, it’s about being on the right journey- they see theirs as a continuous struggle upward, and there is an acute awareness that all could be lost in the blink of an eye.

The modern internationally branded coffee house is a fashionable place to relax while being seen. Coffee houses were originally built to encompass a public sphere which is an abstract realm which allows for the flow of ideas. Coffee houses promoted the public sphere in Europe by having newspapers and magazines available and in the United States as a hub for student activity and poetry readings. In Changsha, the modern coffee house offers free wireless internet and magazines at select locations. They are designed with long rows of high seats in front of glass windows facing outwards so the patrons of said establishment can be seen by passing traffic. (See Figure 10) Coffee-houses are quiet venues that carry status where one can sip on a global treat.

The female customers who frequent coffee shops in Changsha, do so as a break time. Since public churches and libraries are not commonly used a space to retreat, the coffee house has become the place to go.

**Consumer Market Trends:**
"The Chinese consumer marketplace is quickly growing more segmented and mature, with an increasing number of consumers looking for high quality products—and willing to pay a premium for them."

Changsha customers care a great deal about the quality of the culinary products and experience purchasing them. The women interviewed expressed desire to consume pure ingredients that are healthy. Concerns over pure and healthy food, especially dairy products, are exceptionally high in after the 2008 baby formula scandal where milk companies put the chemical melamine in their product to fake a high protein content. The effects of this were deadly. More than 296,000 infants and children fell ill and at least 5 babied died from the scandal. 1,500 raccoon dogs eating melamine tainted feed died from kidney failure. This wide range scandal caused customers to question the food the buy and its origins.

In an interview with Maria, a military researcher who used to work in Japan, she described her desire to go to a coffee shop and have something healthy to drink and eat while she relaxed in a tranquil environment. She had ordered an oolong tea with cheesecake when she stated this. She purchased the tea because she does not care for coffee Maria stated she drank hot water at home, but ordered the only Chinese tea on the menu because she did not like rich or sweet beverages. She bought the cake due to a lack of healthy food options at the Starbucks location she was patronizing, and sat with it nearly untouched. There was a high power distance at this Starbucks location, there were no managers or representatives noticed.

In an interview with Jennifer Wong, Jennifer expressed concern over her weight and disclaimed she wanted to lose a few kilograms. She was unaware black coffee is basically calorie free and a vanilla latte can have around 240 calories, 10 grams of fat, and 28 grams of sugar. China does not have reduced fat and skim milks, so all dairy based drinks are prepared with whole milk.
Jennifer is a full-time teacher, has two children and tutors on the weekends. She has an above average disposable income between her salary (4,000RMB monthly) and that of her engineer husbands (10,000RMB monthly). Jennifer had her master’s degree and made less than $1,000USD monthly. She found it appropriate to spend 30RMB on a single beverage at a western coffee-house, this amounted to 3% of her weekly take home pay. If she drank coffee daily it would amount to 21% of her professional salary. She said she did not go out often as she is busy but enjoys relaxing with a drink before going home to her children and mother-in-law who reside with her. In her survey, Jennifer claimed she did not drink alcohol, and therefore a coffee house was an appropriate location for her after-work beverage. She stated she liked shopping in Hong Kong and going to the movies. Jennifer said she travelled to Hong Kong because the quality of goods sold there is higher than in Mainland. She did not shop or go out to eat often, but when she did, she wanted a quality experience.xxiii

A current culinary trend in Changsha is healthy food. The western coffee-houses of Changsha are not taking this customer desire into account of food options in the given establishments of this provincial capital and instead are inundating customers with fatty and sugary food and beverage options that do not match working women’s desires.

Brand Loyalty:

“People don’t buy what you do, they buy why you do it.”xxxiv

-Simon Sinek

A company’s brand is their identity. It is an incredibly powerful symbol of the company’s image. Corporations promote how and why they sell a product worthy or purchase. Many companies have created lasting brands by instilling a positive feeling into their customers. The women surveyed were asked what their favorite coffee shop is. They were asked this question about
western coffee houses currently located in Changsha (Costa Coffee, Daylight Donuts, Starbucks, McDonalds), local coffee houses, a popular Hong Kong chain (Knock Box) and a popular American chain (Dunkin Donuts). “A brand means different things in different regions to different people in different situations.” The women of Changsha, choose their favorite brand based on personal perceptions.

![Pie chart showing favorite coffee shops](image)

**Figure 4**

The overwhelming response to this questionnaire was Starbucks is the vast majority favorite. Half the respondents choose this American chain as their favorite coffee shop. The second most popular location was that of local coffee shops. Ethnocentric behavior is noted in this large number. The longest living western coffee chain in Changsha, Daylight Donuts only received 4% favoritism in the city. Daylight Donuts originally opened in 2008 in the city center, near Buxingjie and next to Walmart. Starbucks and Costa Coffee moved to this location years after
Daylight Donuts and receive higher customer feedback, Costa with 15% favoritism. (See Figure 4)

Changsha does not yet have Dunkin Donuts or Knock Box Coffee. Dunkin Donuts is an American Chain and Knock Box is from Hong Kong. These two coffee shops were added to the survey to see customer knowledge and favoritism on locations that do not exist in their current city. Dunkin Donuts did not receive any notarization and Knock Box only received a single favorite. The coffee-houses currently operating in Changsha were visible to the respondents among the favorites for current patrons and potential customers.

Content Marketing:

Marketing is how we communicate. When a company markets a product to us, they are sharing the story behind it, and inviting us to join in on the experience. In today’s hyperlinked world, marketing is an exciting avenue of communication. Products can be promoted through traditional newspapers, magazines and television commercials and/or through internet webpages and modern social media.

While observing consumer purchasing in Costa Coffee, Starbucks, McCafe, local coffee shops, and Daylight Donuts, not one individual purchased a bag of coffee to take home. Only Costa Coffee and Starbucks sold beans and ground coffee, the others exclusively sold prepared beverages. They did not venture into the take home segment. Of the women surveyed only 27.78% made coffee at home and 38.89% knew how to make coffee. Content marketing can bridge a relationship between the customer and corporation as product knowledge creates a sense of ownership.
Gourmet coffee company Shangrila Farms uses content marketing to inform customers about social responsibility practices. When a potential or returning customer follows Shangrila Farms on Facebook, they will learn relevant and valuable information about the products. The Facebook page used has a QR Code which then directs the customer to Shangrila Farm's Weibo and WeChat accounts. In China, Weibo is used as a microblogging website. It is similar to Twitter, which is currently blocked in China, and has approximately 503 million registered users. Social media sites like Weibo and WeChat allow companies to directly communicate with their customers. They can speak directly to customers and teach them about creative ways to utilize their products thus enhancing CRM.

The automotive corporation Cadillac understands this desire for product knowledge. "Shoppers at any of a dozen "Cadillac Experience Centers" in the mainland, for instance, can relax on a black leather sofa and enjoy a glass of Rosemount Cabernet in the "Cadillac Cafe" while browsing through photo-rich brochures that describe the brand's 102-year history."

Coffee shops have the ability to create a lasting relationship with customers by engaging them through content marketing. It is an affordable and modern way to connect with current and potential consumers and drive brand equity.

**Glocalization and Localization:**

Individual coffee shops have the option to glocalize, localize, or stay completely true to its nation of origin. To glocalize is to take a globally developed and distributed product or service and adapt it to a local market. It is a combination of glocalization and localization. It is a concept which allows global companies to keep an international feel to their products while adapt to local preferences. In Changsha, Daylight Donuts has localized its menu. It formed a joint venture with
a local catering company and serves items like spicy beef with vegetables, spicy chicken, and one western dish, spaghetti Bolognese. It also serves donuts and ice cream for dessert. Starbucks and Costa coffee have very similar food menus comprised of scones, green tea cheesecakes, macarons, and a few savory sandwiches. Menu items offered in Changsha locations differ from those in Beijing and Shanghai where a greater variety of savory items like tomato and mozzarella sandwiches and chicken and bacon wraps are offered. McDonald’s has gone far in its attempts to localize, now offering traditional fried dough sticks (youtiao) with soy milk or hot dogs with breakfast. This strategy is working well for McDonald’s as they have a solid reputation in China as a western fast food establishment. While observing breakfast consumption in Changsha, McDonald’s had the greatest patronage of any of the given coffee spots. Customers were purchasing a coffee from McCafe to complement their savory breakfast of meat and eggs.

The international coffee shops in Changsha have either localized like Daylight Donuts or McCafe or stayed true-to-origin like Starbucks and Costa Coffee. There are a few glocalized products made with green tea, but overall have not taken into consideration the local provincial palate.

**Brewed Beverage Consumption:**
The women who decided to take the time to complete the consumer behavior survey completed a section on brewed beverage consumption. They were asked how often they drank coffee, tea, and beer. After the survey was completed the women were asked about the beverages they choose to drink at home and at coffee shops.

**Frequency of Brewed Beverage Consumption**

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This graph pictured in Figure 5 depicts brewed beverage drinking patterns among young and middle aged working women in Changsha, Hunan. On the surface, coffee and tea seem to be the strongest beverage choices in this category. Only 3 of the women surveyed never drink tea, while 10 never drink coffee and 30 never drink beer. In interviews with these women, two of the non-tea drinkers stated they drink water and the other non-tea drinker said she likes juice and milkshakes.

A greater look into the data that enabled this chart reveals societal and psychological reasoning and trends taking place. Of the 72 participants in this study, 10 choose to omit their response towards tea drinking habits, 3 omitted opinions on coffee, and a staggering 23 refused to speak about beer. This omitted data can be learned from.

In China, tea is a commonly drunk beverage. The women who did not mark their consumption of tea may have not felt this was something that had to be stated. What is interesting is the variations in frequency among tea drinkers. Although China is commonly thought of as a tea
drinking nation, it is not necessarily a daily tea drinking nation; only 29% of the women
surveyed drink tea every day. A surprising 4.8% do not drink tea at all, all of these women are
Chinese Nationals, not foreigners. The range of women sipping tea 1-2 times a month to 2-5
times a week is diverse. There does not seem to be a pattern and women have individual patterns
for tea consumption. This most likely means a culture of waking up and having a cup of tea or
sipping habitual afternoon tea does not exist. It is something enjoyed and may be drunk at any
interval.

Of the coffee respondents 95.83% wrote down their coffee drinking routines. The three women
who did not write their habit also did not respond on tea or alcohol. One of these women stated
she only drinks water, another is a daily tea drinker, the final stated she likes to drink milkshakes
and takes beer 1-2 times weekly at home or in a restaurant. The graph accounting for coffee
consumption among 25-45 year-old working women in Changsha show coffee is becoming a
steady beverage choice in the city.

How Often Do Changsha Women Drink Beer?
Drinking alcohol has a negative stereotype for women in China, especially in the traditional inland areas. Beer can be seen as too forward and unladylike. At beer and baijiu lavished banquets, women are served a syrupy com-milk, and are excluded from male-dominated binge drinking rituals. The women who refused to answer this question may have done so out of concern of losing face. The sales professional who filled out survey number 30 pronounced she did not drink beer. After she completed the survey we spoke about coffee-houses. She stated she rarely drank coffee and had stopped at the Daylight Donuts on Buxingjie with her friend to have a snack. She exchanged WeChat information with me and left the coffee shop. Thirty minutes after leaving Daylight Donuts, this individual sent me a text message inviting me to a bar named Helen’s. After declination, she texted a few more times and then again later that week on her way to different bars. This same individual has a post on WeChat from March 17, 2015 (12 days before her survey) depicting her along with three friends drinking beer.
The 38.77% of respondents who admitted they drank beer at times prove working women are stepping out of traditional social norms and expanding acceptable practices. The amount of women who refuse to speak about alcohol is outstanding. The fact that nearly 1 in 4 women admitted to drinking beer at times in exceptional. Acceptance of non-traditional beverages is expanding and international coffee-houses have the ability to capitalize on the stomach share of this diversification trend.

**Price versus Income:**

Sitting in a coffee shop, drinking a cappuccino and having a small piece of cake in Changsha is an expensive outing. It can cost a customer upwards of 57RMB for this light indulgence. If a working woman treats her friend or child to a beverage and snack as well, the total can easily exceed 100RMB at Costa Coffee or Starbucks. At Daylight Donuts the counterpart will cost approximately 29RMB for an individual and 58RMB for two people. (See Figure 7)
### Western Coffee House Benchmarking, Prices in RMB, Changsha March 2015

<table>
<thead>
<tr>
<th>Beverage</th>
<th>St. Starbucks</th>
<th>Cost a Coffee</th>
<th>Daylight Donuts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Latte/Cappuccino</td>
<td>27/30/33</td>
<td>28/31/34</td>
<td>22</td>
</tr>
<tr>
<td>Mocha</td>
<td>30/33/36</td>
<td>31/34/37</td>
<td>22</td>
</tr>
<tr>
<td>Brewed Coffee (Daylight Donuts count erpart = Black Coffee)</td>
<td>17/20/23</td>
<td>29/32/35</td>
<td>15</td>
</tr>
<tr>
<td>Green Tea Latte</td>
<td>30/33/36</td>
<td>28/31/34</td>
<td>15</td>
</tr>
<tr>
<td>Hot Tea</td>
<td>20</td>
<td>28</td>
<td>15</td>
</tr>
<tr>
<td>Caramel Cappuccino (St. Starbucks count erpart = caramel macchiato)</td>
<td>31/34/37</td>
<td>31/34/37</td>
<td>15</td>
</tr>
<tr>
<td>Iced Mango Milkshake (Cost a's count erpart = Iced Mango Passion Fruit Shake)</td>
<td>29/32/35</td>
<td>15</td>
<td></td>
</tr>
<tr>
<td>Honey Pomelo Iced Tea (Cost a's count erpart = mint peach iced tea)</td>
<td>25/28/31</td>
<td>15</td>
<td></td>
</tr>
<tr>
<td>Food</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chocolat e/ Blueberry Muffin</td>
<td>15</td>
<td>15</td>
<td></td>
</tr>
<tr>
<td>Macaron (St. Starbucks comes with a coffee, Cost a sells a)</td>
<td>35</td>
<td>32</td>
<td></td>
</tr>
<tr>
<td>Donut</td>
<td></td>
<td></td>
<td>7</td>
</tr>
<tr>
<td>Ice Cream Waffle Cone</td>
<td></td>
<td></td>
<td>8</td>
</tr>
<tr>
<td>Raisin Scone</td>
<td>14</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Green Tea Cheesecake</td>
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<td>26</td>
<td></td>
</tr>
<tr>
<td>Coffee Michu Cake</td>
<td></td>
<td></td>
<td>16</td>
</tr>
<tr>
<td>Earl Grey Cake</td>
<td></td>
<td></td>
<td>26</td>
</tr>
<tr>
<td>White Chocolate Almond Croissant</td>
<td>19</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Blueberry Danish</td>
<td>15</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lemon or Banana Pound Cake</td>
<td>12</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tuna Melt (St. Starbucks count erpart = Tuna Puff)</td>
<td>18</td>
<td>26</td>
<td>15</td>
</tr>
<tr>
<td>Spaghetti Bolognese</td>
<td></td>
<td></td>
<td>15</td>
</tr>
<tr>
<td>Spicy Beef &amp; Rice</td>
<td></td>
<td></td>
<td>15</td>
</tr>
<tr>
<td>Chicken &amp; Rice</td>
<td></td>
<td></td>
<td>15</td>
</tr>
<tr>
<td>Cheese &amp; Mushroom or Ham &amp; Cheese Toastie</td>
<td></td>
<td></td>
<td>18</td>
</tr>
</tbody>
</table>

Figure 7

A medium cappuccino costs 30RMB at Starbucks, 31RMB at Costa Coffee and 22RMB at Daylight Donuts. With average incomes of the women surveyed under 6000RM, a mug filled with steamed milk and a double espresso will run up about 1% of monthly income, before taxes. If every morning started with a cappuccino that would be approximately 30% of monthly income spent. If you were to go for lunch and order a chicken Caesar wrap 28RMB, tea 20-28RMB, and
a slice of cake 16-24RMB your bill would be approximately 72RMB, roughly 1.5 times the
median income. The real value of disposable income is much greater after rent, healthcare, and
utilities are factored in.

The woman who completed survey number 30 earns only 2000RMB per month. She is a sales
professional and works full-time for this salary. She stated 30RMB is an appropriate price for a
cup of coffee, this single cup costs approximately 5.8% of her weekly wages. In an interview with
Jennifer, she proclaimed she made a very good salary (4000RMB). She has her master's degree.

Salaries in Changsha are not exceptionally high, the price of coffee in this developing city is
exponentially high. Although the financial cost of visiting a coffee house is high, over 65% of
the women surveyed did not state the price of Starbucks is too expensive. Washington D.C.
reporter Fei Wong spoke about history in relation to the current coffee market in China. She
stated in the past "a person's social standing was defined by the objects they own." Far from
acting as a deterrent, high prices actually enticed customers who wanted to show off their new
affluence; put another way, purchasing a good like a cup of coffee at a premium was a good way
to obtain "face" in business or personal relationships.xxix

<table>
<thead>
<tr>
<th>Survey Respondents Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Admitted Income</td>
</tr>
<tr>
<td>Average Income</td>
</tr>
<tr>
<td>Median Income</td>
</tr>
<tr>
<td>Mode</td>
</tr>
<tr>
<td>Income Range</td>
</tr>
</tbody>
</table>

Figure 8

With exorbitant prices that can hurt monthly allowances, coffee houses must provide a
memorable experience so perceived value exceeds product value. Starbucks is doing well at this.
Customers purchase a 20RMB tieguanyin tea which can be made at home for less than 2 RMB. This common quality oolong blend is readily available at grocery stores for around 25RMB for 250g (a sachet contains roughly 30g of tea, a normal cup of tea would not use this amount as it is too strong). While coffee is not commonly made at home, tea is. Chains like Starbucks, Costa, and Daylight Donuts must offer the historic staple while increasing its value, based not on quality, but on social desires and curiosity. They must capture the espousal for upward mobility, a Confusion ambition. “Middle-class consumers must simultaneously project status and protect hard-won gains, hence savings rates in excess of 35 percent, aversion to car loans, and down payments on real estate that average 50 percent of the selling price.”** While coffee shops are expensive, they are not unaffordable or addicting.

Coffee houses create a visual sphere where consumers can buy a taste of the west. Changsha is not an international city. There are less than 1000 foreigners living in the entire province, roughly 1 foreigner to 6,000 Chinese nationals in Changsha. There not many places to learn about foreign culture. “Evidence of deep affection for the American way of life is everywhere. Illegal DVDs of US movies and television. Shows sell like hotcakes, especially ones such as Friends, Sex and the City, Desperate Housewives and the Big Band Theory, which celebrate a quintessentially American fusion of community and individual idiosyncrasy.”** Coffee shops are live interactive grounds for experiencing the Central Perk engagement. While Starbucks and Costa Coffee have succeeded in winning over the Changsha population with brand-love equity, they are not serving desired offerings!

Hunan is famous for its hot weather and food, chili peppers have been a staple since the Portuguese brought them during the Qing dynasty. The food offered at Starbucks and Costa have not taken this into account. The food sold is sweet desserts, cheesecakes (many Chinese are
lactose intolerant), par-baked pastries. For a city noted for one of the 10 main Chinese food categories who prides itself on homemade authenticity, these goods are not localized in essential flavor profiles. Glocalization of the menu is needed to capitalize on customer purchasing and satisfaction. Savory crepes with a pickled mustard tuber chutney, spiced chicken sandwiches, bagels (there are none in Changsha), hot pretzels, and salads with edamame hummus. Patrons of the café’s want to sample food from the west while still staying within flavor profiles they are comfortable with. They do not want localized food. Daylight Donuts is making this mistake and they do not have, they are serving localized food for lunch and brand perceptions are lower than that of Starbucks, Costa Coffee, and local coffee shops. (See Figure 9)
Analysis

Customer Analysis:

The coffee-house consumer in Changsha is a hard-working woman who knows what she wants and cares about her health and appearance. She feels a connection to the Hunan Province and its local cuisine xiangcai. She has an enigmatic exterior, understands antiquated societal norms and is charismatic in her outward approach. She is mindful in her consumption of non-traditional goods including coffee and alcohol. She chooses a coffee-house based on her perceptions of quality and ambiance. She is most likely unsatisfied with the offerings at coffee-houses in the city but is a patron because it provides an unparalleled sophisticated and smoke-free atmosphere.

According to a 2012 Booz&Co and American Chamber of Commerce in Shanghai consumer study, "Tier 3 and Tier 4 cities (such as Ningbo, Wuxi and Dongguan, as well as rural areas) price consciousness still rules, but the choice of available products has dramatically increased. This is providing consumers with a greater range of purchasing options than ever before, and is creating an increasingly competitive environment for companies. Moreover, and importantly, consumers at the top rungs of Tier-3 and Tier-4 cities are quickly taking on the behavior of their counterparts in Tier-2 cities, and it is only a matter of time before the distinctions in these strata disappear, in at least some regions." According the data found in in this study, women of third-Tier city Changsha share consumer behavioral desires with those of first-Tier cities like Beijing and Shanghai. They envision a specific lifestyle which encompasses quality of experiences and services. "In Tier-1 and Tier-2 cities, an increasing number of consumers are seeking greater
value, quality and integrity in the products they purchase. This represents a significant evolution from what has been a price driven market.”

**Customer Lifetime Value:**

Brand loyalty is very strong in China, consumers are loyal to their favorite brands because these labels represent quality. As a quality focused nation, consumers will stay with a company until a rival corporation proves they have a superior product. This is currently happening with Xiaomi and Huawei Phones. “Over the period from April to June, Fortune’s leading startup unicorn Xiaomi regained its label as the largest smartphone vendor in China by capturing a 15.9% market share, according to numbers compiled by research firm Canalys. Right behind was Huawei with a 15.7% share. Apple came in third place, representing a drop from its top perch for the first three months of 2015.” If mainland customers are leaving Apple Iphones for Huawei and Xiaomi, the same can happen for Starbucks.
Starbucks currently takes the lead among coffee shop rivals in Changsha, but perceptions are not interminable. Starbucks is more popular than western competitors Costa Coffee and Daylight Donuts. They offer customers a sense of comfort and exclusivity at their cluster marketed outlets. At a deeper level, they post flyers

**The Value of Breakfast:**

Coffee for breakfast is a standard mentality of the western world. Television sets, magazine advertisements and Facebook pop-up ads are filled with jingles like “the best part of waking up is Folgers in your cup.”\[^{xxn}^\] The eastern nation of China is not accustomed to coffee as a morning beverage, warm water or soy milk is the standard, and this is not served in coffee shops.

Coffee-houses in Changsha, China are not reaching their potential customers during the morning hours. This also creates space for competition. If coffee-houses produce a warm and convenient space for weekend breakfast or brunch, they could take over this mealtime habit. Since “Chinese
prefer warm breakfast foods such as congee (rice porridge) and dim sum," it would be
advisable to serve warm and hearty foods at coffee houses.

Many Chinese women eat breakfast out of the home, especially during the workweek. 44% of
working women surveyed for this study eat breakfast out of the home but only 4.76% of the
respondents are enjoying the most important meal of the day in coffee-houses. Coffee
establishments should capitalize on breakfast stomach share, this can be achieved by expanding
offerings and tailoring advertisements to an A.M. crowd. Currently the food sold at Starbucks is
lemon or banana pound cake for 12RMB, white chocolate almond croissant 19RMB, Blueberry
Danish 15RMB, Ham and Cheddar Croissant 20RMB, Tuna Puff 18RMB, or a beef onion tart
for 19RMB. Most of the offerings are sweet and they are all expensive.

In an interview with “Maria” I asked her if she ever came to a coffee house for breakfast, she
told me she did not. She does not like coffee or sweets. I asked what an international cafe would
need to do to get her business at that hour; she hastily replied they “should not try to change
Chinese culture by making people desire coffee in the morning, it’s not the Chinese way.” I
asked if she had ever tried oatmeal, she had not. I explained it is similar to congee or millet, it is
a grain slow cooked in water and can be served with various toppings. It is a common breakfast
in the United States and does not have to be sweet. She told me this is something she would
absolutely want to try. It is western while not being a disrupter of traditional Chinese breakfast
foods. It can be priced at 18RMB, the same price as a McDonald’s breakfast sandwich and more
than twice a standard bowl of noodle soup (5RMB). The average woman surveyed normally
spends 13RMB on breakfast, coffee shops can use this number as a benchmark for morning fare.
Starbucks, Costa Coffee, and Daylight Donuts have an immense opportunity expand and deepen their customer bases with the addition of quality breakfast options. They must be marketed with a glocal perspective and fit the tastes of the local area.

**Beverage Choices:**

China has boasted one of the world's most eclectic tea varieties for thousands of years. This has made a perfect entryway for coffee houses. A historic culture of sitting down and savoring a brewed beverage is commonplace.

China is perceived as being a tea drinking society. There is a long history of tea ceremonies and a history of drinking tea for more than 2000 years. Different regions throughout the country are famous for specific types of tea. Tourists travel to Fujian for tieguanyin, Yunnan for Pu’er and Sichuan for jasmine tea.\textsuperscript{xxxiv} Tea is ingrained in the traditional culture, it is served with delicacy and brings people together. When a stranger enters the home of a Chinese person, they will welcome them with a warm cup of tea.

Can a tea nation also enjoy coffee?

Many times, individuals are asked if they like coffee or tea? In China, this answer will most likely come out with tea as the winner. But a tea drinker can also enjoy the culture of a coffee-house.

Coffee-house corporations including Starbucks, Costa Coffee, and Daylight Donuts are racing through China and expanding at a rapid pace. Starbucks and Costa Coffee began multi-city expansion in major municipalities Beijing and Shanghai. Daylight Donuts took a different route and started in third-tier city Changsha, Hunan. These coffee-house outlets provide a window into the western coffee drinking world. They sell espresso based beverages, American style coffee, fusion green tea lattes, tea, and food products. They have an international vibe and are spreading
quickly throughout the emerging nation. They are expensive a cup of coffee may range from 15RMB to 45RMB depending on location, product and company.

Customers have the choice of going to a western coffee chain, eastern coffee chain, or a local coffee shop. In addition to Starbucks and Costa Coffee, China has Asian chain coffee shops as well. In 2011 Taiwanese RBT had 300 shops and aimed at expanding.xxxv In an interview with Maria, she stated she likes western coffee chains because they have an “attractive atmosphere.”xxxvi

Coffee-House Luxury Market

“Today, more and more consumers in China seek value and are prepared to pay more for products and services that they believe to have greater quality, safety and utility. Importantly, in the Chinese context, “value” consumers are moving upscale, willing to pay a premium for items with integrity, reliability and desirable features and that are made of high quality materials and components.”xxx The price of products sold in western coffee houses is exceptionally high when juxtaposed against goods offered at local restaurants. The women in this study work hard for their money and choose to spend it. The luxury market is not only about purchasing Louis Vuitton purses, Chanel lipstick and Audi automobiles; there is also an experiential luxury market. This is a place one can inhale a deep breath, reflect, and think. This is an impossibility in noisy and smoke laden restaurants and parks. Unlike the male version of a luxury experience of competitive binge drinking at fancy hotels, the female’s in this study enjoy having a quiet, smoke free atmosphere to read, chat with friends, or simply rest with a beverage after shopping.

Coffee-houses are exemplary locations for the modern woman’s luxury experience. She has the ability to patronize this location alone, with friends, coworkers and one’s boss. Unlike bars, restaurants and KTV parlors, international coffee shops do not allow smoking and do not serve
alcohol. They serve a premium product unavailable in standard restaurants and grocery stores. To improve CLV, international café’s should treat interact with their customers in a fashion fitting to the coffee business, like Chanel does for clothing and accessories in Shanghai. “A typical example of how brands accommodate such shoppers is the intimate service Chanel used to win the favor of a 33 year-old Shanghai housewife. This woman, who comes from an ultra-wealthy household, received a phone call from her dedicated sales representative at Chanel, notifying her of some new product arrivals that seemed likely to appeal to her well-developed fashion sense. When she arrived at the Chanel store in the Peninsula Hotel – which targets the super-rich with its low traffic and abundance of salespeople – her sales rep took her to a VIP room while other store personnel took care of her young son. Desserts with the Chanel logo, ordered from the hotel bakery, were served to her as she examined the specially-selected products. She left with 2 Chanel bags and one dress.”

**Culinary Preferences:**

Hunan cuisine is one of the ten most famous cuisines in China. It is known for containing spicy, pungent, salty, and oily elements. The regional cuisine is nicknamed *xiang cai* (food) for its proximity to the Xiang River. The province’s most famous dishes include *hongshaorou* (red braised pork), *choudoufu* (stinky tofu), and *kouweixia* (tasty crawfish). All of these dishes feature chili peppers and use copious amounts of salt; a tribute to local taste buds. Western coffee shops in Changsha offer a variety of sweet desserts to accompany a beverage list that contain mostly sweetened options. Hunan coffee houses should serve food its customers want to purchase. The current sweet offerings do not parallel the tastes of people from the Hunan Province. In candid interviews with 11 women, 9 proclaimed they did not like sweets.
Current menu innovation has helped assimilate Chinese customers to western concepts. For example, “instead of trying to force onto the market the same products that work in the U.S., such as whip cream-covered frozen coffee concoctions, Starbucks developed flavors, such as green tea-flavored coffee drinks, that appeal to local tastes. Rather than pushing take-out orders, which account for the majority of American sales, Starbucks adapted to local consumer wants and promoted dine-in service.”

The ability for a coffee shop to capture the young and middle aged consumer class in Changsha lies with its ability to adapt to local tastes. It can wait for the younger generations to earn disposable income, but, if this is done, hockey stick growth may occur.

Recommendations

Coffee is the western drink of the morning, but in Changsha, coffee-houses are treated as happy hour venues. Cafés are not succeeding in the morning because they are seen as a place to socialize and wind down; not as a place to start the day. When the working women I spoke with were asked about frequenting western coffee shops in the morning, the majority shunned the idea. Western coffee shops like Starbucks, Daylight Donuts, and Costa coffee provide a hospitable atmosphere that can be utilized throughout the day. They can create an A.M. approach to appeal to an audience who want caffeine and convenience in the morning.

Starbucks 9a.m. Hexi Location, Changsha
If Starbucks, Costa, and Daylight Donuts were succeeding in marketing their brands to the Changsha public, they would have a morning coffee rush. The photograph pictured in Figure 10 is a standard morning occurrence in the capital of the Hunan province. Western coffee-houses are vacant or nearly empty for the first few hours of the day. They do not have lines of individuals waiting for a caffeine rush or customers picking up a breakfast pastry. Costa Coffee does not even open its doors until 9 A.M. This eliminates the opportunity for morning coffee before work or as an early start to the weekend. Daylight Donuts focuses its localized culinary options on hot lunch items including spicy beef with rice and curried chicken. They do not offer localized versions of breakfast items; the closest thing they have to a breakfast menu is donut and steamed milk with a small amount of cereal grain. Changsha residents do not have the current habit of visiting a coffee house before work, this can change with proper promotion.

Western coffee shops should create morning coffee campaigns promoting healthy options and a bright way to start the day. McDonald’s has filmed multiple breakfast commercials which utilize content marketing to inform potential customers to the benefits of coffee. One such commercial is staged on a busy metro train, this advertisement depicts a well-dressed man so filled with
energy for his morning commute, he sings on the train. The other people on the metro are groggy and are almost falling asleep during their commute. Erro! Indicador não definido. This ad depicts coffee, a warm and satisfying beverage, as a stimulant. McDonalds promote the morning as a positive time to patronize their establishments, western coffee houses are currently not doing this in third-tier city Changsha. The customers and potential customers surveyed for this study expressed eating out breakfast was a common habit. Coffee shops can capitalize on this mentality of eating out by creating breakfast campaigns and enhancing glocalized menus that serve oatmeal, fusion tea blends, and “perk”ulated coffee. Menu innovation can assist in adapting older customers who have traditional tastes.

Oatmeal is a western version of congee and since “Chinese prefer warm breakfast foods such as congee (rice porridge) and dim sum,” Erro! Indicador não definido. this would be a warm and international way to start the day. The oatmeal should be marketed as western, nutritious, and empowering. It should be priced at 18RMB per serving and include Pure Oatmeal, Oatmeal with Macadamia Nuts, Dried Persimmon & Yunnan honey, and Oatmeal with Cinnamon & White raisin. The toppings should not mimic congee toppings as localization of this product would detract from its international appeal. The language used should fit Chinese ideals of quality, pure and golden are positive description words. Honey is a hot trend in China, it is sweet and Yunnan is one of the leading producers of honey in the world.

Tea blends are incredibly important. Café’s should offer glocal tea blends made from worldly ingredients like New York Apple infused Green Tea or Brazilian Coffee infused White Tea. These products are light, healthy, and exclusive. They are a creative alternative to Starbucks standard tieguanyin blend 20RMB, Costa Coffee’s Earl grey/ English breakfast/ Chinese green tea 28RMB, and Daylight Donut’s Green Tea Latte 15RMB.
Coffee-houses need to market these items as global morning specialties made-for-China. China is currently changing its vision from assembled-in-China to made-in-China by 2025. This paradigm shift in quality depicts national pride. Coffee shops can learn from this curve and create made-for-China. Potential customers must be reached out to via social media, and for captive customers, in person and with social media. Wechat and Weibo can be utilized to connect with customers in the way beverage corporations like Coca-Cola expand CLV with Coke drinkers. If a Changsha women is willing to spend 10% percent of their salary on a beverage and cake she does not like, imagine what she would spend on products she did enjoy.

Customer purchasing is changing. Coffee Houses must observe mistakes and embrace consumer driven changes. To adapt successfully, corporations must analyze to the abstruse “why” behind their current and potential customers words and actions. If a customer orders a cake, sits with it at the table, and toys with it; that customer does not think the cake is delicious, even if they say it is. They may like the way it looks or feel they need to purchase something like this to feel worthy of sitting in the space, but this is not customer satisfaction. The synthesis of customer consumption habits and consumer observations is necessary for success. Coffee-houses absolutely must pay attention to the evolving inland emerging mass-market consumer class as they are truly a fantastic source of potential sales.

Conclusion

Succeeding in marketing is about understanding consumer behavior. Customers behave differently when they have different ages, races, backgrounds, genders, cultures, socioeconomic status, etc. There are so many factors to consider when choosing a group to market to. Consumer
behavior in the coffee-house industry in Changsha, China is a new and relatively undocumented discipline. Coffee shops have only recently, in the last seven years, begun to pop up in the capital of the Hunan Province. The customers in Changsha should be treated like individuals who are tied to the culinary trends of their province. They have different tastes than coastal inhabitants have and should be catered to as so.

Working women aged 25-45 in Changsha are a great market segment to market to because they have disposable income and an affinity for international beverages. Since coffee shops are so new to the province, to ensure CLV, increased customer relationship management would be beneficial. Observing customer behavior and speaking with existing customers is a positive method to

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Maria (Personal Communication, March 20, 2015).
