A RELATIONSHIP STUDY OF PRICE PROMOTION, CUSTOMER QUALITY EVALUATION, CUSTOMER SATISFACTION AND REPURCHASE INTENTION: A CASE STUDY OF STARBUCKS IN THAILAND

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Abstract - The purpose of this research is to investigate the relationship among price promotions, beverage and food quality, service quality, customer's satisfaction and repurchase intention in Starbucks (Thailand).A questionnaire was conducted to collect data from the respondents who visited Starbucks in Thailand. Correlation was applied to analyze the relationships among variables. The results suggested that price promotion in Starbucks has a positive relationship on customer evaluation on food and beverage quality and service quality, and a strongly positive relationship between customer satisfactions and repurchase intention. The findings encourage coffee shop management to utilize strategic price promotions to improve customer evaluation and satisfaction, which further contribute to customer loyalty.

Keywords - Price promotion, customer evaluation, customer satisfaction, repurchase intention

I. INTRODUCTION

Thailand, the third largest coffee producer in Asia (after Vietnam and Indonesia), has a growing demand of coffee consumption. Compared to other countries, coffee shop industry in Thailand faces more competitive challenges.Many brand coffee chains, such as Café Amazon, Starbucks and Coffee World have already built a dense networkand occupied a majority ofmarket share(Allegra Strategies, 2015).It is widely accepted that companies prefer to usestrategic promotions to increase new trials, attract brand switchers, motivate price-sensitive buyers, provide added value, and encourage repeat usage behaviors(Huff & Alden, 2000).In a broad sense, the 4Ps (product, price, place and promotion) are analyzed by managers to frame the marketing strategy for retaining customers. Previous research showed that retailers combine all the factors of product mix, assortment, pricing and promotional strategies to provide customers both hedonic and utilitarian benefits, and encourage customers to purchase more products (Darian et al., 2001). In further research, Nusairet al. (2010) explored the influence of different price discount levels and discount frames on consumer evaluation of service quality and their purchase intention. The resultsindicated that consumers are willing to participate in word-of-mouth(WOM) only when the offered discounts arevery attractive. However,in 1992 Jain pointed outthat price and promotion do not substantially contribute to customer retention.

Unfortunately, there were fewer researchesrelated to price promotions in coffee industry. Therefore, this research selected Starbucks as a representative coffee chain in Thailand to investigate the relationships of price promotions on customer quality evaluation and

satisfaction. In order to reach towards customer loyalty, this research also examined the relationship of customer satisfaction and repurchase intention.

II . LITERARURE REVIEW

2.1 Price promotion
Price promotions are widely accepted as price reduction, discount and mark-down (Nusairet al., 2010).A primary motivation for managers to offer price promotions is to stimulate sales. It was supported by Ailawadiet al. (2006)that factors like brands, promotions, product categories, and store characteristics have a positive impact on sales and visits. In further research, Moore and Carpenter (2008)identified that different segments of customers have different price perceptions. It also agreed that the most price sensitive, value conscious and sales prone customer segment places a high value to discount in retail environment.

2.2 Food quality
Quality was defined by Takeuchi (1983)that it is a standard of something consumers measure it with other different things by giving grades, merits, attributes to the products or services. Some previousstudies have indicated thatthere is apositive or negative relationship between price promotion and customer evaluation. With regard to the evidence,in 1985, Monroe and Krishnannoted that a relationship between price and quality does exist.Moreover, other researchersalso mentioned price and quality are seen as a substantial factor contributing to customer retention in marketing(Canniereet al., 2010). Zeithaml (1988), in his research,proposed that price as an indicator of quality depends on quality variation of related products.

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2.3 Service quality

Service is distinguished from products by their intangibility, heterogeneity, inseparability, and perishability (Zeithamlet al., 1985). Service has a higher proportion of experiences and credence properties, which makes service performance more difficult toevaluate than product performance (Bouldinget al., 1993).Customers may compare their perceptions and expectations to evaluate service quality. Most researches adapted Zeithamlet al.'s (1985) scale to understand customer perceptions, find customer expectations, and measure customer satisfaction about service quality.

2.4 Customer satisfaction

Customer satisfaction is a central element in the marketing exchange process, in which goods or services fulfill customer expectation of quality and service (Darianet al., 2001).Previous researchhas illustrated that customer satisfaction has an overall expectation of consumption based on perceptions, evaluations and psychological reactions (Churcill&Surprenant, 1982).

2.5 Repurchase intention

Customer loyalty was defined by Oliver (1997) as a deeply held commitment to repeat-purchases of a preferred product or service consistently in the future. Many related empirical studies also reported that satisfied consumers demonstrate more loyal behavior. Mittal&Kamakura (2001) put forward that customer loyalty as essentially behavioral intention includes repurchase intention, positive word-of-mouth, marketing and willingness to pay more.

III. HYPOTHESIS

In coffee chains,beverage and food quality are recognized as the most important factors of customer evaluations, which may be influenced by price promotion. Therefore,

H1. Price promotion has a positive relationship with perceived beverage and food quality.

In 1985, Zeithamlet al. proposed that perceived service quality is a function of service expectations and service delivery. In order to reify intangible service, consumers commonly use tangible information of price to bring the expectations. Therefore,

H2. Price promotion has a positive relationship with perceived service quality.

Starbucks as a global coffee brand is widely recognized by its highly qualified coffee drinks and food. Since drinking a cup of coffee has become a part of daily ritual in Thailand, customers may feel more satisfied when they enjoy qualified coffee and dessert. Therefore,

H3. Perceived beverage and food quality has a positive relationship with customer satisfaction.

According to Tat et al. (2011), individual's perception about product or service performance leads to customer satisfaction. Therefore,

H4. Perceived service quality has a positive relationship with customer satisfaction.

The more consumers fulfill their expectations during purchase or service process, the higher the probability that consumers will generate word-of-mouth and repeat-purchase intention (Wong &Sohal, 2003). Purchase satisfaction is an important key driver of customer loyalty. Therefore,

H5. Customer satisfaction has a positive relationship with repurchase intention.

IV . THEORETICAL MODEL

Figure 1. Theoretical model was proposed to identify the relationshipamong price promotion, beverage and food quality, service quality, customer satisfaction and repurchase intention, which was adapted from "Promote the price promotion, the effects of price promotions on customer evaluations in coffee chain stores" by Huang et al. (2014), International Journal of Contemporary Hospitality Management. 26(7), 1065-1082

4.1 Measurement

In this study, a questionnaire was developed based on the literature review. Price promotions were measured by five regular promotional activities in Starbucks (Thailand). Atwo-dimensional model was used to measure customerperceived quality, which includedbeverage and food quality and service quality.These items were measured by a five-point Likert scale rating from 1 to 5.Customer satisfaction and repurchase intention were also assessed by using a five-point Likert scale. (Huang et al., 2014).

4.2 Data collection and analysis

A total of 222 questionnaires were collected with 200 usable responses that had ever been to Starbucks in Thailand within the past three months. Analyzed from 200 participants, 53 percent were male. The majority of age (53.5 percent)was 25 to 34, and 82 percent of respondents came from Asia. Bachelor degree was 65 percent. 52 percent of their occupation were full-time employed and 34.5 percent had income higher than 60,000 Baht per month.The highest 52.5 percent visited Starbucks sometimes. 31.5 percent thought the best reason to choose Starbucks wasdrinks and food.

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4.3 Reliability test

Cronbach's Coefficient Alpha test (between 0 and 1) was applied to describe the reliabilityof all the factors. The variables are considered to be acceptable and reliable when the calculated result is greater than or equal to 0.60(Sekaran, 1992).In this study, the measure model contained five latent variables and total 20 measurement items. The overall reliability result was high, Cronbach's Alpha=0.91 (Table I), which was acceptable.

Cronbach's Alpha	N of Items
.913	20

Table I

The reliability test of five latent variables was also illustrated to be over 0.70 range, which provided indication of acceptable data reliability. The results as below summarized that all variables are reliable for using as the research instrument(Table II).

Variable	Cronbach's Alpha	N of item
Price Promotions	.720	5
Food and Beverage Quality	.889	5
Service Quality	.877	3
Customer Satisfaction	.806	3
Repeat Purchase Intention	.906	4

Table II

Among the five items of price promotions, respondents were most attracted by "buy one, get one free" (Mean=3.80), while special offers for the breakfast menu was the least attractive (Mean=2.32). Respondents agreed that Starbucks offers variety of choices of food and beverages (Mean=3.85) and employee-provided professional services (Mean=3.81). Customer felt satisfied with Starbucks' service (Mean=4.00). Most of the customers were likely to have willingness to return (Mean=3.99)(Table III).

Variables	Mean	SD
Price Promotions		
P1: Discounts for holiday gift packages	2.47	1.322
P2: Discounts for on certain drinks & food	3.70	1.076
P3: Special offers for the breakfast menu	2.32	1.214
P4: Buy one, get one free	3.80	1.256
P5: A loyal card with bonus points collection to redeem a cup of free coffee	2.85	1.406
Food and Beverage Quality		
FQ1: Good taste of beverages	3.81	.853
FQ2: Consistent quality of beverage	3.84	.811
FQ3: Variety of choices of food and beverages	3.85	.957
FQ4: Good taste of food	3.64	.977
FQ5: Consistent quality of food	3.70	.925
Service Quality		
SQ1: Employee-provided professional services	3.81	.912
SQ2: Employee-provided recommendation to meet consumers' needs	3.52	.961
SQ3: Employee courtesy	3.79	1.000
Customer Satisfaction		
CS1: Food and beverages	3.88	.767
CS2: Service	4.00	.905
CS3: Overall dining experience	3.85	.875
Repeat Purchase Intention		
R1: Willingness to return	3.99	.796
R2: Willingness to recommend	3.31	1.057
R3: Intention to return	3.65	.940
R4:Likelihood of repurchase	3.68	.906

Table III

4.4 Hypothesis testing

Correlation is an effect size to describe the strength of the correlation. Evans (1996) suggested that the absolute value of Pearson's r: 0.00-0.19 is "very weak", 0.20-0.39 is "weak", 0.40-0.59 is "moderate", 0.60-0.79 is "strong" and 0.80-1.0 is "very strong". From the analysis of correlation between price promotion and beverage and food quality, the results indicated that the significant is equal to 0.000, which is less than 0.01 (0.000 < 0.01). Pearson Correlation of 0.36 means that there is a weak positive relationship between price promotion and beverage and food quality. It was concluded that the two variables move in the same direction, in other words, an increase in price promotion will also increase in beverage and food quality. The correlations between price promotion and service quality also showed significant is equal to 0.000 (0.000 < 0.01).Pearson Correlation of 0.31 means that there is a weak positive relationship between price promotion and service quality. Furthermore, the correlation results illustrated the relationship between beverage and food quality and customer satisfaction is significant equal to 0.000 at the 0.01 significant level. Pearson Correlation equal to 0.70 indicated that there is a strong positive relationship between beverage and food quality and customer satisfaction. From the analysis of correlations between service quality and customer satisfaction, the result indicated the significant is equal to 0.000 (0.000 < 0.01). Pearson Correlation of 0.66 supported there is a strong positive relationship between service quality and

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customer satisfaction. The hypothesis that customer satisfaction has a positive relationship with repurchase intention was also supported by the result of correlations significant equal to 0.000 (0.000 < 0.01). Pearson Correlation of 0.69 illustrated that there is a strong positive relationship between customer satisfaction and repurchase intention. All above testing result analysis provided the supporting evidences that all the hypotheses in this research (Figure 2.)

Figure 2. Summary of Structural Relationships

**. Correlation is significant at the 0.01 level (2-tailed).
Notes: * P<0.05; ** P<0.01; *** P<0.001

V. DISCUSSION

From all the testing data, it provided the evidences that price promotion in Starbucks has a weak positive relationship with customer evaluation on food and beverage quality and service quality, which further to have an influence customer satisfaction. The results agreed the previous findings of Ehrenberg et al. (1994) that price promotion effects on customer quality and satisfactions, and also supported customers use tangible information of price to bring the service expectation (Zeithaml et al., 1985).Starbucks manages multiple price promotions to improve customers quality evaluation and create more customer satisfaction, which was also consistent with Tat et al. (2011) that individual's perception about product or service performance leads to customer satisfaction. Moreover, this research confirmed the previous study that customer satisfaction plays a significant role in shaping purchase behaviors in the future (Russell-Bennett et al., 2007).

VI. RECOMMENDATIONS

As mentioned previously, the marketing strategy of price promotion has a positive relationship with customer quality evaluation. According to the situation in which coffee shop industry in Thailand is becoming more competitive, price has been considered as an initial factor for purchasing. Managers could implement attractive price promotions like "buy one, get one free", or special discounts on coffee and food to increase more store excitement. Meanwhile, coffee chains should improve the quality management by selecting

qualified coffee bean, building a long-term cooperation relationship with qualified suppliers to maintain consistent coffee quality, and developing more menu choice of beverage and food. Professional employee training program was also recommended.

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