



## Understanding customer behavior in name-brand Korean coffee shops: The role of self-congruity and functional congruity

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### ABSTRACT

During the past decade, an increasing number of coffee-shop customers in Korea prefer to patronize name-brand coffee shops. This study applied image congruity theory to explain the Korean preference phenomena. The authors investigated the impacts of image congruities (self-congruity and functional congruity) on customer attitude and repurchase intention, and identified the moderating effect of prior visit experience. The survey sample is 401 customers who visited the 13 name-brand coffee shops in the city of Seoul's Myeong-dong commercial district. Structural Equation Modeling was used to test the validity of the conceptual model. The results revealed that both self-congruity and functional congruity are the antecedents of customer attitude and repurchase intention. Furthermore, functional congruity has more impact on customer attitude among experienced customers than among those with less visit experience. The marketers of name-brand coffee shops in Korea are advised to design the strategies of brand positioning and marketing segmentation from a new angle. Further studies can be further conducted among customers in boarder geographical areas, including small cities and rural areas in Korea.

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### 1. Introduction

The coffee business in Korea has been dramatically growing in the past 10 years. Approximately 80 percent of the coffee consumed in Korea was served by vending machines until 1999. At present, the coffee market is dominated by coffee shops of Korean and international coffee brands (Lee and Yeu, 2010). The Korean coffee brands are locally owned and managed brands, such as Angel-In-U's, Holly's, etc. The international coffee brands are foreign chain operators in Korea, such as Starbucks, Coffee Bean, etc. There were over 2000 name-brand coffee shops across the country in 2010 (Kim, 2010). Among them, 1392 are operated by 11 of the biggest coffee chains including Starbucks, Coffee Bean, Angel-In-U's, Holly's, etc. (Kim, 2009). The sales of the name-brand coffee shops operated by these coffee chains have increased dramatically over the past 10 years. For example, the sales of Starbucks increased from 8.6 billion won (\$7 million) in 1999 to 171 billion won (\$15 million) in 2008 (Lee and Yeu, 2010).

The average price of one cup of coffee from vending machines is 300 won (\$.45), whereas a cup of coffee sold in a name-brand coffee shop costs 5000 won (\$5.19). The coffee price in these shops is more than 10 times higher than that sold by vending machines (Jung, 2009). However, more and more customers visit name-brand coffee shops over vending machines. Coffee consumption trends are explained by the collectivistic culture of Korea (Triandis, 2001). Customers with the collectivistic culture tend to perceive themselves as a part of a social group, define their identity based on the value of the social group, and integrate other group members' perceptions or attitudes into their self-concept (Markus and Kitayama, 1991).

Korean customers tend to value brands when they purchase experiential products, which provide customers with pleasant consumption experience (Lee and Hyman, 2008). Since name-brand coffee shops are associated with western culture and fashion life style (Opus, 2010), for many customers in Korea, especially younger customers (e.g., college students), visiting such brand coffee shops is perceived as a form of self-expression and to communicate their self-identity. For example, drinking coffee at the name-brand shops makes them feel special, as if they were New Yorkers in the Hollywood movies (Keller, 1993). In addition, visiting name-brand coffee shops is a symbol of success and wealth, considering the high price of coffee in the name-brand shops (Opus, 2010). Customers with collectivistic culture visit name-brand coffee shops,

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because they desire to be perceived as a member of a stereotype customer group with westernized, stylish, and socially successful image (Babin et al., 2006). The image congruity theory can be used to further explain the phenomena in Korea caused by the collectivistic culture (Sirgy and Samli, 1985).

Image congruity is composed of self-congruity and functional congruity (He and Mukherjee, 2007). Self-congruity is defined as a comparison between customers' own image and a symbolic store image (Sirgy et al., 2000). Symbolic store image is a stereotypical image of typical customers of a particular store (Sirgy, 1982; Sirgy et al., 2000). In the case of name-brand coffee shops in Korea, the symbolic store image is associated with western culture and fashion life style, and is a symbol of success and wealth as described above (Opus, 2010). In addition to evaluating a name-brand coffee shop by focusing on its symbolic (person-like) attributes (as is done in self-congruity), customers can also evaluate the coffee shop based on its functional or utilitarian attributes. Examples of functional or utilitarian attributes of the coffee shop include quality, price, interior environment, etc. The matching between the coffee shop's level of a utilitarian attributes and the customer's expectation of that attribute is referred to as functional congruity (Sirgy et al., 2000).

Image congruity is a crucial area in marketing studies because self-congruity and functional congruity show significant impacts on customer attitude and purchase behavior (He and Mukherjee, 2007; Sirgy and Samli, 1985; Sirgy et al., 1991). Some hospitality and tourism studies have investigated how self-congruity predicts customer retention for fine dining restaurants (Kwun and Oh, 2006), brand loyalty toward hotels (Back, 2005; Han and Back, 2008), and destination choices (Chon and Olsen, 1991; Sirgy and Su, 2000). However, the studies on functional congruity is quite limited in the hospitality context. Prendergast and Ho (2002) and Ryu et al. (2008) investigated the impact of functional congruity on customer behavior in quick service restaurants. The results revealed that functional congruity is more important than self-congruity in predicting store loyalty and influencing customer satisfaction. Thus, it is necessary to evaluate both self-congruity and functional congruity in the context of name-brand coffee shops, since customers are likely to pay the premium cost, not only for the symbolic value, but also for the utilitarian value (e.g., high quality coffee). At issue are the conditions under which customers may use self-congruity versus functional congruity (or some combination thereof) to form attitude and repurchase intention. Prior studies have suggested that prior visit experience is a predictor of changing customer behavior (Kimchi and Hadad, 2002). Thus, the current study also investigated the moderating effect of prior experience between image congruity (self-congruity, and functional congruity) and customer attitude toward a name-brand coffee shop.

This is the first study that applied image congruity theory to the understanding of the current trends of coffee consumption in Asian countries with collectivistic culture, such as Korea. The study also has significant implications for the coffee shop industry sector. Self-congruity provides a new approach for marketers to position name-brand coffee shop and segment customer markets. Functional congruity suggests the strategies of improving utilitarian values to satisfy the expectations of customers in name-brand coffee shops.

This research established and tested a theoretical model that represents the correlations between image congruity (self-congruity, functional congruity), customer attitude, and repurchase intention in the context of name-brand coffee shops in Korea. The study also incorporates the moderator of prior experience in two paths between image congruity (self-congruity and functional congruity) and customer attitude. This study addressed the following research questions: (1) Do self-congruity and functional congruity influence customer attitude toward a name-brand coffee shop; (2)

Does customer attitude affect repurchase intention in a name-brand coffee shop; (3) Does prior experience moderate the two paths between image congruity (self-congruity and functional congruity) and customer attitude?

## 2. Literature review

### 2.1. The impacts of culture on customer behavior in Korea

Individualism–collectivism is widely used to explain the differences in customers' decision making process across cultures, especially Western versus Asian cultures (Hofstede, 1980; Park, 1998). Individualism represents a social pattern characterized by individuals who are independent and value privacy and personal goals; whereas, collectivism is a social configuration characterized by individuals' interdependency within their groups such as family and nation. In collectivist cultures individuals concentrates more on group harmony, unity, and cooperation than the individual (Triandis, 2001). These cultural differences take into account the impact of reference groups when customers make decisions (Park, 1998).

Korea is characterized as a Confucian collectivistic culture that represents strong interdependence and conformity to group norms (Hofstede, 1980). Due to the interdependence within groups, collectivists give priority to the goals of their groups, which strongly influence individuals' behaviors (Triandis, 2001; Litvin and Kar, 2004). In addition, they tend to be flexible, quickly adapt to social contexts, and preserve others' reputation so as to create a harmonious interpersonal atmosphere and keep social relationships (Park, 1998; Suh, 2002; Sung and Tinkham, 2005). For this reason, Triandis (2001) stated that collectivists are less likely to concentrate how well the brands describe the individual than people in individualistic culture. In most cases collectivists are likely to behave in a communal way (Triandis, 2001).

Along this line, Park et al. (2008) investigated Korean consumers' purchasing intentions toward luxury brands in relation to four value dimensions (materialism, conformity, the need for uniqueness, and social recognition). In collectivistic culture, materialism represents a personality-like trait, expressing one's identity or social status through consuming conspicuous products; conformity addresses group welfare and the public reputation of the group; the need for uniqueness is a pattern of consumption that distinguishes individuals from their fellow customers; social recognition represents the customers' consumption disposition with regards to creating and emphasizing ones' social image and ideal social image (Hui and Triandis, 1986; Tian et al., 2001). These dimensions explain how purchase intentions are formed, especially related to Korean customers' desire to enhance their images and wealth through consuming symbolic meanings of publicly visible brand products (Park et al., 2008).

The present study assumes that visiting name-brand coffee shops is viewed by most Koreans as conspicuous consumption, such as purchasing luxury brand products. Conspicuous consumption represents one's success and social status, emphasizing the public reputation derived from consuming luxury brands (Park et al., 2008). Customers in collectivistic cultures tend to pursue conspicuous consumption, especially when they purchase public products, not only because the products conform to their social norm, but also because the products enhance the bond between them and their social context (Sung and Choi, 2010). For these reasons, consuming conspicuous products can be perceived by the collectivists as a way to achieve ones' desired self-image incorporating the images of themselves and their social group. This type of purchase behavior can be explained by Sirgy and Samli's (1985) study, which indicated that consumers tend to purchase products

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