The Impact of Korean Franchise Coffee Shop Service Quality and Atmosphere on Customer Satisfaction and Loyalty

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Abstract

Purpose – The purpose of this study is to analyze franchise coffee shop service quality factors based on pilot research. In the proposed analysis, store atmosphere is added as one of the service quality factors. We aim to examine how franchise coffee shop service quality and store atmosphere influence customer satisfaction and loyalty.

Research design, data, and methodology – Data was collected from 482 Korean coffee shop franchises and analyzed using frequency analysis, reliability/validity assessments, correlation analysis, and regression analysis with the software program SPSS 19.0.

Results – The results are as follows. First, taste is revealed to be the most influential factor among components that have an impact on service quality. Second, taste also turned out to have the most impact on service quality among components influencing customer loyalty. Last, customer satisfaction affected customer loyalty.

Conclusions – This study's findings show that taste was the most influential factor on service quality. The conclusion here is that most of the coffee shop customers are very familiar with coffee taste and this is influencing their loyalty.

Keywords: Service Quality, Customer Satisfaction, Customer Loyalty, Franchised Coffee Shop, Korean Food service Franchise.

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1. Introduction

Being exposed to intense competition, all the companies in the world are moving rapidly toward service quality focused society. Furthermore, the importance of service industry among home industry is increasing. Among them, size and market of food service industry is growing incredibly along with economic development. Domestic food service industry is being developed with an amazing velocity. This is a result of changes of social and economic factors, such as an increase of national income, an increase of leisure time, an augmentation of double-income couples, an increased entry of women in public affairs, a growth of nuclear family, and pursuit of simplicity.

After Starbucks first opened its franchise in South Korea, numerous domestic and foreign coffee companies like Hollys, Coffee Bean, CaféBene, Angel in Us, Tom and Toms have made a debut into coffee industry. Due to this phenomenon, franchise coffee shops are growing continuously as consumers' interests have gotten higher. Franchise coffee shops, either domestic or international, are growing rapidly as young individuals' high preference of large-scaled coffee shops and strong public tendency towards take-out coffee increased.

Even though franchise coffee shops are continuously growing, many brands, with inefficient profit structure or without unique business strategies have exited the industry due to its saturation. Therefore, many franchise coffee shops invest largely in order to strengthen competitiveness and enhance brand or company image in order to augment their market shares. It is also important for franchise coffee shops to comprehend customers'various needs to grasp competitive superiority through customer satisfaction. Moreover, operators would need marketing strategies for fulfilling departmentalized customers'wants. It is crucial to apprehend service quality and satisfaction towards coffee shops along with customers' wants.

Lately, service companies try to secure loyal customers through numerous ways. The acquisition cost for new customer is five times more than maintaining existing customers (Baker et

al.,1994). In other words, good-quality service and product pro-vided by coffee shops are reflected by customer satisfaction; maintaining customers provided those satisfactory products and high-quality service become foundation for customers're-visitation and successful companies. An increase of customers with in-tention of revisit leads to maintenance and development of sta-ble company profit. On today's competitive coffee industry, ef-forts to investigate and reduce the difference between coffee shops' and customers'various and fussy wants are urgent(jin & Ryu, 2015).

The main purpose of this study is to analyze service quality factors based on a pilot research. Analyzed service quality fac-tors and store atmosphere are added as service quality factors. This report will discover how service quality and store atmos-phere of franchise coffee shops influence customer satisfaction and loyalty. Also, it will investigate ways in which customer sat-isfaction affected by franchise coffee shops'service quality fac-tors and store atmosphere influence customer loyalty. Based on the results above, it would be able to deduce implication of franchise coffee shops' customer-oriented service quality strategies.

2. Literature Review

2.1. Concept of Service Quality

It is hard to measure service quality through objective criteria such as fraction defective or durability since service quality is a progress. For this reason, the concept of service quality is used differently according to scholars, time, and situations. Previously, the term "quality"was used limitedly to quality of products; how-ever, as service part expanded, service quality grabbed people's attention. In customer-oriented service industry, actualizing good service quality means the success of the company. In com-petitive environment, if service quality decreases, a company loses its customer when it gains its customer means good quality. As a result, in a society where the customers' demand for service is becoming delicate, it is crucial in service organ-ization to strengthen its service quality for effective and efficient to gain trust and secure customer. To discuss the concept of service quality, we will discuss about the concept of quality.

Quality can be defined from in traditional sense to tactical sense. The concept of quality can be different based on in-dividuals, purpose of uses, or point of view. Considering these differences, contemporary meaning of quality was defined by Garvin (1984) in five points of view: transcendental approach, user centered approach, product centered approach, manu-facture centered approach, and value centered approach. Even though these five approaches are related to quality of products, for the study for restaurant industry service quality, user cen-tered approach will be useful. According to user centered ap-proach, evaluation of quality and satisfaction depends on user's wants and expectation.

Analyzing prior studies on service quality based on user cen-

tered approach mentioned above, Galvin (1984) stated that serv-ice quality is quality subjectively recognized by consumers, while Smith & Huston (1983) stated that whether or not customers are satisfied about the service depends on consumer's expect-ation and satisfaction depends on recognition of provided service.

In reality, service quality cannot be defined precisely due to various aspects caused by characteristics of service, customers' various expectations toward service, difficulty in setting up valu-ation basis, and variability of provided benefits and satisfaction. According to Parasuraman, Zeithaml, Berry research team (PZB, 1985), "service quality is discordance and direction between consumers' expectations and their recognition". This statement implies that if consumer's recognition after receiving service is higher than their expectation that consumer has prior to service, then service quality is highly evaluated.

However, it is hard to evaluated service quality objectively. This is because of service's intangible characteristic and the fact that consumer's recognized perception fraction has to be eval-uated based on consumer's subjective judgment.

On studies performed later on, service quality was defined as "individual's overall judgment and attitude towards superiority of specific service, while explaining that service quality means pro-viding service consistently to agree consumer's expectation. Grōnroos(1984) also defined service quality as "the result of comparison between recognized service by consumers and their expected service. On the other hand, Grōnroos(1984) states that service quality has functional relationship with variables such as consumer's expectation, technical and functional characteristics, and images.

Lee et al. (2013) illuminated service quality decision process in theoretical point of view and mentioned that hedonic factors have to be taken into consideration in addition to practical factors. Also, he conceptualized service quality as "individuals assigning subjective meanings to specific service qualities".

In return, it is desirable to take parameters such as quality cost, cost, participation, information into account when defining recognized service quality.

According to user oriented definition and due to its inherent characteristics, service quality is defined as difference between service recognized by customers (outcome) and their expected service. However, even though many researchers treat service quality as attitude or measurement of satisfaction, this results in a problem where service quality is only partly defined according to PZB's definition. Therefore, it is necessary to look at service quality in "individual's subjective judgement".

2.2. Composition Factors of Service Quality

Composition factors of service quality are basis of measure-ment of service quality. According to Grōroos (1984), service quality is composed of expected service and recognized service. Therefore, by looking at the factors which influence expected service and recognized service, it will be able to discover cru-cial factors of service quality. There are five factors which influ-ence expected service quality: promise of company, tradition

and thought, previous experience, oral tradition and communication, and personal desire. As for the factors which influence recognized service, there are three factors: company's physical and technical resources, customer service workers, and client participation. Six composition factors of quality have been presented by Grōroos (1984).

First factors are professionalism and technology. Having these factors let customers recognize that service providers, employee, operating system, and physical resources have required knowledge and technology to resolve their problems.

Second are attitude and behavior. This means customer having feeling that service workers whom they interact with are friendly and willing to resolve customer's problems.

Third are accessibility and flexibility. In other words, customers feel that the location of customer center, operating hours, and operating system are designed, run, and operated flexibly based on customers demand.

Fourth are reliability and trust. Customers can believe that service providers will keep their promises and consider customers above all other situations in any instances.

Fifth is restoration of service. This works when customers feel that service providers will immediately and actively try to resolve problems and find acceptable alternative solution plan when there are unexpected problems.

Sixth are reputation and credibility. Customers trust service provider's operation, give values to service cost, and believe that service operation represents outcome and values through customers and service providers.

Also, Parasuraman, Zeithaml, and Berry(1985) research team discovered that there are general standards by which customers recognize service quality by studying customers receiving four different forms of services (bank, credit card company, detective agency,and repair service) with detailed service composition factors derived from Grōnroos (1984)'s study. They called these general standards as "composition factors of service quality" and presented ten factors. After that, they reduced these factors into fivecomposition factors through developing criterion and validity. Here are five composition factors:

First of all, corporeality refers to all physical elements including tools which used to provide service. It also includes other customer's reaction when service is provided. In other words, in case of airplane passengers, noisiness of neighboring passenger is included.

Second, reliability refers to ability to be punctual, try their best to resolve customer's problem, and provide service without any mistakes.

Third, reactivity is promising precise offer rime of service and responding customer's request no matter how busy they are.

Forth, assurance is being friendly to customer all the time and providing stability to transactions.

Fifth, sympathy is providing convenient time for customers and attempting to give maximum benefit to customers.

Through detailed verification of each composition factors, it is able to know that most of the factors are directly related to interaction between individuals when service is provided. Moreover, Carman (1990), in his study "Customer Satisfaction

about Service Quality", investigated the pilot study done by Parasuraman, Zeithaml, and Berry (1985) and evaluated other sample of service centers. As quality composition factors have some overlapping contents within each other, they had to be clearly recognized. He also insisted that service quality is determined through complex interaction based on customer's individual demand and service type.

2.3. Atmosphere in coffee shops

After Kotler (1973) firstly introduced about the importance of an atmosphere as a marketing tool, it has not get any attention further. As individuals get more attention about an atmosphere in shops, some scholars investigated and proved Kotler's study about each factor which creates an atmosphere (Frank & Masswy, 1970).

Ghoch (1990) stated that an atmosphere in shops creates a psychological use which affects the value which a retailer provides. Moreover, he defined that a retailer's atmosphere is created through a psychological effect or feeling which is designed by physical environments. In the case of customers, there is a large proportion of impulsive buying and conspicuous consumption, and this suggests that customers' reaction within shops is more emotional rather than being cognitive (Turley &Milliman, 2000). Hyllegard et al. (2006) claimed that there are tangible factors which create shops' atmospheres, such as ground, wall, ceiling, color, light, and so on, and intangible factors, such as music, fragrance, temperature, and design. These factors come together and make unique atmosphere in a shop.

According to recent studies about a store's facility-based effect, a store's atmospheres, environmental cues, environments, physical surroundings and service scapes are used together (Turley & Milliman, 2000).

The common characteristic from the recent studies is that an atmosphere in a store is not just a physical surrounding, but also for inducing customers to purchase because of purposely created physical and cognitive factors.

In this research, as shown in the Kotler (1973)'s definition which is the first study on an atmosphere in a store, it is supported that an atmosphere in a store is a staged and purposely built environment which can inspire experiences and entertainments, rather than simple physical environment.

2.4. Customer Satisfaction

The concept of customer satisfaction has prolonged history in terms of marketing thought. Studies about customer behavior treat customer satisfaction as a key element for period of follow-up purchase. The reason is that customer satisfaction creates repeated purchase and positive word of mouth effect. Customer satisfaction is crucial to management of company and for this reason, customers with high loyalty enhance company's profit and over 60% of turnover from new customer is influenced by word of mouth effect (Marit et al., 1996).

Satisfaction can be viewed as accomplishing or sating. As

customer satisfaction is customer's achievement response, it means fulfilling customer's expectation above certain standards. Unlike quality that is being recognized, satisfaction is usually from experience, and therefore, it is strongly influenced by customer's emotional progress. Since satisfaction is under control of subjective expectation, there are some instances where it is unable to obtain customer's satisfaction depending on their expectations. In short, satisfaction means a condition in which customer's trust towards service is continuous as a result of fulfilling customer's demands and expectations(Byun, 2006).

Oliver (1980) defined satisfaction is customer's judgment of how much of his/her expectation is fulfilled. He also emphasized that the concept of satisfaction, based on this definition, can be viewed in many different forms according to level on analysis. In other word, clustered customer satisfaction reaction can be viewed in a society, industry, and company level, while individual satisfaction can be viewed in a continuous line extending from the satisfaction of transaction to the satisfaction of usage. It also can be divided according to satisfactory object, such as satisfaction towards characteristic of product, interacting worker, or overall service.

Lee(1999) defined customer satisfaction as which caused by fulfilling or exceeding expectation created by customer's needs and demand and dissatisfaction caused by failure of it. Kim and Kim (1999) stated that the definition of customer satisfaction has two forms: result-centered and process-centered. From the result-centered point of view, customer satisfaction is conceptualized as a result of purchase experience. As for the definitions related to it, there were customer's cognitive status of how cost he paid was rewarded, emotional reaction caused by shopping and purchasing experience, and complex emotional status caused by unsatisfactory purchasing experience. For the process-centered point of view, customer satisfaction can be defined as customer's evaluation of saying that his purchase experience was better than his minimal expectation, evaluation of chosen alternative being corresponding to its theoretical concept, or customer's reaction towards the difference between his expectation and product recognized after his purchase.

On the other hand, there are two points of view in regards to coffee shop's relationship between service quality and customer satisfaction. One states that customer satisfaction is an evaluation from specific transaction and service quality is an overall evaluation. It states that customer satisfaction is derived from cumulated specific transaction and it ultimately leads to overall service quality of coffee shops. The other point of view claims that service quality of coffee shop does not directly lead to service purchase and service quality is viewed as precedence element of customer satisfaction. Among them, there has been efforts to discover causal relationship between service quality and customer satisfaction; however, there is no definite conclusion in regards to directionality between two concepts. Therefore, in reality, customer satisfaction is used in mingled manner with service reality in spite of many researcher's attempt to measure both concepts more precisely in theoretical wise and methodological wise.

In an early argument, customer satisfaction was thought to be not an evaluation in general level, rather an evaluation in individual purchase level. However, these days, both restaurant service quality and customer satisfaction are treated in individual level. There has been an agreement that both can be used in macroscopic level. As a result, there is an agreement between quality and satisfaction in a sense that causes and results are fundamentally different even though they are not different in an analytical level. In other words, service quality is a broader concept than restaurant service quality, which has its focus on concrete level of service. As shown, even though a causal relationship between two concepts has reservations, a view that general service quality of coffee shop has influence in customer satisfaction is predominant.

As a result, recognized service quality of coffee shop can be viewed as a composition factor of customer satisfaction. This is because if service quality of coffee shop reflects customer recognition towards five service elements, than customer satisfaction is influenced by quality of service, quality of products, and customer recognition towards cost in addition to situational factor and individual factor. For example, a coffee shop's service quality in coffee industry is determined by whether tables are set up properly and are ready to be used when needed (reliability), how well workers are responding to customer's demand (reactivity and sympathy), how worker's skills are refined (assurance), and how well equipment is managed (materiality). However, customer satisfaction is determined in a broader sense which includes not only recognition of quality of restaurant service quality but also situational factors such as recognition of quality (quality of products), cost, and emotional status of customer. There are other standards which differentiates quality from satisfaction. In other words, while recognition of quality can be presented without experiencing service provider directly, customer satisfaction requires experience.

2.5. Customer Loyalty

Customer loyalty is researched by many researchers as it is an important strategic goal of a company. Especially, as service industry developed, brand loyalty in the past is view as the main element of customer loyalty, which in turn, it is an important factor of customer satisfaction in service industry. As the importance of service industry is being enlarged, there has been a lot of research conducted about customer loyalty related to service. Customer satisfaction was stated as a formation of re-purchase and loyalty when customer's needs, wants, and expectations are fulfilled or exceeded through products or service activity(Park & Kang, 2015).

Czepiel and Gilmore (1987) viewed loyalty as a result of dynamic emotional process and stated that loyalty is a tendency supported by commitment, positive attitude, previous knowledge, consentience, and trust. On the other hand, Guseman (1981) stated that "service loyalty is used as a reduction strategy of uncertainty and risk recognized by customers when they make purchases". In consequence, " service loyalty is an intention of customers to continually use service provider or service company based on their experience in the past and expectations in

the future". Hirschaman and Holbrook (1982) insisted that purchase experience recognized by customers includes rational consumption value such as problem solution, need satisfaction and experimental consumption value like aesthetic characteristics. Later, Holbrook (1994) claimed that consumer value is formed by interaction among products which lead to purchase experience and service by re-establishing the definition of consumer value. Consumer value is composed of 3 dimension, excellence, convenience, including economic value presented by Zeithamal (1988) and experimental value presented by Holbrook (1994). Generally, recognized value is known as the most important element for consumer loyalty, re-visit intention, rather than quality or price.

3. Research Model and Survey Design

3.1. Research Model
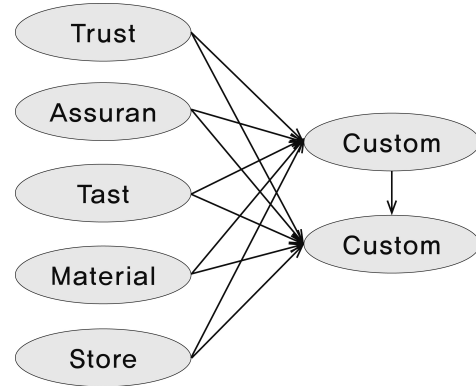
<Figure 1> Research Model

3.2. Analysis of Reliability and Validity of Measuring Variables

Analysis of reliability and validity of measuring variables is shown in <Table 1>, <Table 2>, and <Table 3>.

<Table 1> Analysis of reliability and validity of independent variables

Factor	Variable	Factor Loading Device	Eigen-Value	Distributed Power Explain	Reliability
Trust and Reactivity	Faithfully treating service customer demanded	.732	10.873	19.904	.906
	Responding immediately to customer's question	.726			
	Providing rapid service in order of visiting customer	.708			
	Keeping promise made by customers	.706			
	Workers responding immediately to customer's demands	.648			
	Attitude to help customers willingly	.644			
	Treating customer's demand accurately	.628			
	Trust towards raw materials and cooking procedures	.567			
Assurance and Sympathy	Deep interest towards individual customers	.810	1.931	39.368	.902
	Accomplishing faithfully to customer's demand	.756			
	Carrying out service with sympathy	.702			
	Being friendly and thoughtful	.642			
	Understanding customer's needs and emotion	.642			
	Being safe from all situation such as fire	.626			
	Trust towards hygiene and safety	.600			
	Skill to make coffee and beverage well	.472			
Taste	Taste of beverages	.831	1.483	53.024	.876
	Taste of foods excluding coffee and beverages	.807			
	Tasty product overall	.803			
	Taste of coffee	.766			
Materiality	Facilities and equipment	.824	1.267	64.809	.825
	Store atmosphere including interior	.730			
	Physical Environment	.671			
	Attire and appearance of workers	.626			

<Table 2> Analysis of Reliability and Validity of Store Atmosphere

Variable	Factor Loading Device
Background Music	.814
Indoor illumination	.835
scent	.795
Indoor temperature	.701
Eigen-Value	2.484
Cumulative Total of Distributed Power Explain	62.092
Credibility	.796

<Table 3> Analysis of reliability and validity of dependent variables

Variables	Factor Loading Device	Eigen-Value	Distributed Power Explain	Reliability	
Satisfaction of overall usage	.869				
Satisfaction of atmosphere	.858	2.912	72.812	.875	
Satisfaction of overall service	.857				
Satisfaction of taste of food and beverages	.828				
Intention to use even if there is a low increase in price	.894				
Intention to use even if there is a high increase in price	.879	2.822	70.558	.859	
Recommendation of coffee shop	.817				
Willingness to continually use	.763				

<Table 4> Correlation analysis

Factor	Mean	Standard Deviation	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Trust and Reactivity(1)	3.88	.866	1						
Assurance and Sympathy(2)	3.46	.955	.741**	1					
Taste(3)	3.76	.892	.495**	.544**	1				
Materiality(4)	3.93	.824	.639**	.596**	.396**	1			
Store Atmosphere(5)	3.74	.870	.491**	.510**	.435**	.574**	1		
Customer Satisfaction(6)	3.88	.829	.608**	.607**	.622**	.580**	.585**	1	
Customer Loyalty(7)	3.51	1.017	.483**	.565**	.533**	.429**	.422**	.703**	1

** Correlation coefficient is similar to 0.01   level

3.3. Correlation Analysis

<Table 4> provides Pearson correlations among the institutional variables. All variables are positively correlated.

3.4. Operational Definition of Variables

3.4.1. Operational Definition of Independent Variables

This study analyzed coffee shop's service quality factors based on pilot study on coffee shops' service quality factors, and the factors are listed below:

(1) Trust and Reactivity

Trust and reactivity are measured by investigating workers faithfully treating service towards customer demanded, responding immediately to customer's question, offering rapid service to visiting customer, keeping promise made by customers, responding immediately to customer's demands, having attitude to help customers willingly, treating customer's demand accurately, and providing trust towards raw materials and cooking procedures.

(2) Assurance and Sympathy

Assurance and sympathy are measured by investigating worker's deep interest towards individual customers, faithful accomplishment to customer's demand, ability to carry out service with sympathy, friendliness and consideration, skill to understand customer's needs and emotion, assurance of customer safety from all situations such as fire, trust towards hygiene and safety, and

skill to make tasty coffee and beverage.

(3) Taste

Taste is measured by investigating taste of beverages and foods excluding coffee and beverages, tasty product overall, and coffee.

(4) Materiality

Materiality was measured by investigating facilities and equipment, store atmosphere, including interior, physical environment, and attire, and appearance of workers.

(5) Store Atmosphere

Store atmosphere was measured by investigating background music, indoor illumination, scent, and indoor temperature.

3.4.2. Operational Definition of Dependent Variables

(1) Customer Satisfaction

Customer satisfaction was measured by investigating satisfaction of overall usage, atmosphere, overall service, and taste of food and beverages.

(2) Customer Loyalty

Customer loyalty was measured by investigating intention to use even if there is a low increase in price, intention to use even if there is a high increase in price, recommendation of coffee shop, and willingness to continually use.

3.5. Setting up Research hypothesis

In this study, following research hypothesis are set based on the research model stated above in order to discover how franchise coffee shop's service quality factors and atmospheres in a store influence customer satisfaction and loyalty.

<Hypothesis 1> Franchise coffee shop's service quality factors and atmospheres in a store have positive influences on customer satisfaction.
<Hypothesis 1-1> Trust and Reactivity
<Hypothesis 1-2> Assurance and Sympathy
<Hypothesis 1-3> Taste
<Hypothesis 1-4> Materiality
<Hypothesis 1-5> Store Atmosphere

<Hypothesis 2> Franchise coffee shop's service quality factors and atmospheres in a store have positive influences on customer loyalty.
<Hypothesis 2-1> Trust and Reactivity
<Hypothesis 2-2> Assurance and Sympathy
<Hypothesis 2-3> Taste
<Hypothesis 2-4> Materiality
<Hypothesis 2-5> Store Atmosphere

<Hypothesis 3> Franchise coffee shop's customer satisfaction has positive influences on customer loyalty.

3.6. Composition of Survey and Measuring Tools

3.6.1. Selecting Sample and Methods of Investigation

This study analyzed how franchise coffee shop's service quality factors and atmospheres in a shop customers influence customer satisfaction and loyalty. Through this analysis, the purpose is to present effective directionality of future domestic coffee industry by understanding customer's perception towards service quality. This Research was conducted by distributing and collecting surveys for 2 months, starting on October 10th, 2014 and ending on December 10, 2014.

This study was conducted in a way that coffee shop customers were distributed survey and it was later collected directly.

<Table 5> Present Condition of Survey Distribution and Collection

Contents	Survey
Distribution of Survey	500
Collection of Survey	485
Faulty Survey	3
Survey Used for Analysis	482

3.6.2. Composition of Survey

Fordraft questionnaire, questionnaire was deduced based on a pilot study. Survey was filled out based on SERVQUAL model, designed by PZB (1988) in order to measure customer recognition towards service quality. This includes materiality, reliability, reactivity, assurance, and sympathy, and taste and store atmosphere are added considering characteristics of coffee shop.

Detailed questionnaire was filled out based on Kim et al.(2003), Lee (2013), Hwang et al. (2014), Lee (1997)'s survey and a pilot study on service quality evaluation of coffee shops.

Detailed questionnaire is shown in the following <table 6>:

3.6.3. Method of Analysis

Data was analyzed by using SPSSWIN 19.0, the program designed to analyze social science research data. Major statistical methods used are analysis of frequency, analysis of assurance and validity, correlation analysis, and multiple regression analysis.

<table 6> Detailed questionnaire

Factors	Questionnaire	Number of Questions
Materiality	Equipment and facilities such as exterior and interior Workers' attire and decent appearance Physical environment convenient for service Store Atmosphere	4
Reliability	Accurately providing what customers ask for Keeping promises with customers Ingredients and procedures for coffee and beverages Faithfully serving customers Willing attitude to help customers	5
Reactivity	Responding customers' questions immediately Serving customers in the order of arrival Notifying customers what they are being served beforehand Responding customers' demand immediately	4
Assurance	Assuring hygiene and safety of coffee and beverages Assuring safeness from fire and other accidents Being polite to customers Making coffee and beverages deliciously	4
Sympathy	Sincere interest in individual customer Knowing what customers want and need Eager to learn what customers want Delivering customized service Delivering service with customer's heart	5
Taste	Taste of coffee Taste of beverages Taste of foods excluding coffee and beverages Taste of overall products	4
Store Atmosphere	Interior and style Indoor ornaments Arrangement of furniture's such as tables and chair Indoor illumination Freshness of indoor facilities	5
Customer Satisfaction	Overall satisfaction Satisfaction towards food and beverages Satisfaction towards atmosphere Satisfaction of overall service	4
Customer Loyalty	Continual usage Recommendation of coffee shop Intention of continuous use even if it is expensive compared to other coffee shops Intention to continuous used even if the cost is high	4

4. Analysis of Actual Proof

4.1. Demographic characteristic of sample

Demographic characteristic of sample is shown in <Table 7>:

4.2. Verification of Hypothesis

4.2.1. Hypothesis 1 about coffee shop's service quality, an atmosphere in a shop and customer satisfaction

This study analyzed whether or not service quality factor, an atmosphere in a shop and customer satisfaction have similar influence in order to verify <Hypothesis 1>. As a result of regression analysis, as shown in <table 8> overall explain of dependent variables was 0.588%. Also, statistical similarity of regression formula is 0.000. Therefore, this regression has similarity.

4.2.2. Hypothesis 2 about coffee shop's service quality, an atmosphere in a shop, and customer satisfaction

This study analyzed whether or not service quality factor, an atmosphere in a shop, and customer satisfaction have similar influence in order to verify <Hypothesis 2>. As a result of regression analysis, as shown in <table 9> overall explain of dependent variables was 0.418%. Moreover, statistical similarity of regression formula is 0.000. Therefore, this regression has similarity.

<Table 7> Demographic Characteristics

Element		Frequency	Percentage
Gender	Male	196	40.7
	Female	286	59.3
Marital Status	Single	360	74.7
	Married	122	25.3
Age	Under 20	21	4.4
	20-30	273	56.6
Job	Student(including graduate student)	229	47.5
	Company staff	112	23.2
Level of Education	Under high school	48	10.0
	University	365	75.7
Annual Income	Under 20 million won	177	36.7
	20-30 million won	81	16.8

<Table 8> Regression result of coffee shop's service quality factor, an atmosphere in a shop and customer satisfaction

Model	Standardized coefficient	t	Significance probability	Collinearity	
	Beta			allowance	VIF
(Constant)		.000	1.000		
Trust and Reactivity	.290	9.330	.000	.899	1.112
Assurance and Sympathy	.267	8.539	.000	.884	1.132
Taste	.399	12.765	.000	.886	1.129
Materiality	.255	7.603	.000	.771	1.296
Store Atmosphere	.218	5.733	.000	.599	1.670
R^2=.588, Modified R2=.583, F=135.743, p=.000, Durbin Watson=1.952					

<Table 9> Regression result of coffee shop's service quality factor, an atmosphere in a shop and customer satisfaction

Model	Standardized coefficient	t	Significance probability	Collinearity	
	Beta			allowance	VIF
(Constant)		.000	1.000		
Trust and Reactivity	.206	5.572	.000	.899	1.112
Assurance and Sympathy	.363	9.762	.000	.884	1.132
Taste	.372	9.997	.000	.886	1.129
Materiality	.171	4.286	.000	.771	1.296
Store Atmosphere	.100	2.219	.027	.599	1.670
R^2=.418, Modified R2=.412, F=68.292, p=.000, Durbin Watson=1.791					

4.2.3. <Hypothesis 3> about the impact of customer satisfaction on customer loyalty.

This study analyzed whether or not customer satisfaction positively influence on customer loyalty in order to verify <Hypothesis 3>. As a result of regression analysis, as shown in <table 10> overall explain of dependent variables was 0.513%. Also, statistical similarity of regression formula is 0.000. Therefore, this regression has similarity.

<Table 10> Regression result of the relationship between customer satisfaction and customer loyalty

Model	Standardized Coefficient	t	Significance Probability	Collinearity	
	Beta			allownce	VIF
(Constant)		.000	1.000		
Customer satisfaction	.716	22.470	.000	1.000	1.000
R^2=.513, Modified R2=.512, F=504.883, p=.000, Durbin Watson=1.844					

5. Conclusion and Limitations

The main purpose of this study is to analyze service quality factors based on a pilot research. Analyzed service quality factor and store atmosphere are added as service quality factors and were investigated.

This research discovers how service quality and store atmosphere of franchise coffee shops influence customer satisfaction and loyalty. Furthermore, this report investigates the way that customer satisfaction, affected by franchise coffee shops' service quality factors and store atmosphere, influences customer loyalty.

Based on the results above, implication of franchise coffee shops' customer-oriented service quality strategies was deduced.

According to the analysis of <Hypothesis 1>, taste is revealed to be the most influential factor among components which have impacts on service quality. Trust and reactivity, assurance and empathy, and corporeality and store atmosphere have influence on service quality respectively.

According to the analysis of <Hypothesis 2>, taste turned out to have the most impact on customer loyalty among all the components. In sequence, assurance and empathy, trust and reactivity, and corporeality and store atmosphere influences customer loyalty respectively.

Based on the analysis of <Hypothesis 3>, customer satisfaction tuned out to affect customer loyalty.

All of the service quality factors of franchise coffee shop were chosen. Especially, taste turned out to be the most influential factor. This is because coffee shop customers are people who are familiar with coffee taste, and this influences customer loyalty.

As a result, franchise coffee shops should adopt globalization by developing intangible services and taste which offer convenience to customers. Furthermore, it is necessary to distinguish segmented services and develop an estimating tool for each nation to compare the cognition of franchise coffee shops in each country.

This report suggested long-term service quality of Korean franchise coffee shops by investigating causal relationship among franchise coffee shops' service quality factors, atmosphere in stores, customer satisfaction and loyalty.

This study has some limitations stated below. There is no doubt that the sample used in this study is the main customers of franchise coffee shops who are in Seoul. However, it will be more meaningful to include whole regions in the sample. Furthermore, since Korea has been listed as the top of the most coffee consuming country, it might be useful to include international coffee industry to become a global coffee industry and provide the bases of Korean coffee industry's strategies. This can bring much deeper and variable results in the future.

This study investigated within limited coffee shops as representatives. However, this study can be conducted from other countries which are famous for coffee industry. This can be applied into all coffee industries in different nations and the research can be generalized.

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