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## **SUMMARY**

### ***INVESTIGATE CONSUMERS' BUYING DECISION MAKING***

#### ***ON INSTANT COFFEE***

In this paper, the conceptual model affecting buying decision making consumer behavior on coffee is developed initially on thesis of four types of consumer behavior: complex decision making, limited decision making, brand loyalty, inertia which concerns how belief, information, habit and evaluation factor control the choice of consumer in buying coffee. The research investigates nearly 200 people living in Hanoi about the way they choose coffee. Three brands: Trung Nguyen, Starbuck, and CLC is used as symbol of three kinds of brand: traditional, international and not exist. The data is collected and analyzed by Excel and online analysis software. Whereby, the researcher develops a model of buying decision making process on consuming coffee. Furthermore, implication for marketers is an important aim which will take the outcome of the research go to practice application.

## **INTRODUCTION**

### **1. The necessities of research**

Vietnam is the second largest coffee producer after Brazil, accounting for 14.3 per cent of the world market share. The quality of the coffee beans, however, has typically limited their marketability. Robusta coffee accounts for 97 per cent of Vietnam's total output, with 1.17 million tons exported in 2009

Most coffee producers are private and state owned, such as Trung Nguyen Coffee Company Ltd., Hung Phat Company Ltd., Tam Chau Tea and Coffee Company Ltd., Viet Pacific Co. Ltd. known as Viet coffee, and Vinacafe (Vietnam National Coffee Corporation). Highlands Coffee, a privately owned producer, was the first private company in Vietnam ever registered to an Overseas Vietnamese. A number of international players, such as Nestlé, have been established in Vietnam following economic liberalization in the 1990s.

Vietnam is currently the world's second –largest producer of coffee, but its export revenue from this product is fifth in the world due to poor quality, said the Ministry of Agriculture and Rural Development.

The volume of poor –quality coffee beans produced by Vietnam that must be thrown away is very high. In 2004, the country accounted for 78% of the total volume of this kind of coffee bean in the world

Last year, Vietnam also made up 78 % of the world's total amount of low-quality Robusta. From October 2005 to March 2006, the ratio of Vietnam's poor-quality coffee beans was 88%, up by 19% year on year.

The reason is the massive use of inorganic fertilizer, water, insecticide and poor processing technology. Especially, Vietnamese farmers still harvest coffee beans by

plucking off both ripe and green and over-ripe and dry beans, which seriously affects product quality as well as takes bad effect to coffee market and consumer.

Besides, the appearance of international brand, Starbucks, in Vietnam also affect to coffee market in Vietnam. Starbucks is well-known as quality drinking so that it is a competitive product.

The diminishing quality of Vietnamese coffee will affect more consumer behavior internally and externally. Furthermore, within a variety of coffee commodities supplied by different domestic and foreign corporation such as Trung Nguyen (internally traditional brand), Starbucks (external brand entering Viet Nam), CLT (might be future) consumers gather more benefit from this diversification. The drinker has more choice in taste, price, etc which is the most appreciated. Each person has their own choice. Some people will choose carefully base on several norms such as: brand, quality, experience, etc. The other can be easier, they choice what they like. All of us are different so each one chooses coffee in one way, which is what research has concerned and will find out its answer. Whereby, we can find an appropriate method to protect our coffee in battle against other brand as well as satisfy consumer by focus on the key elements the buyer's choice in coffee brand.

## **2. The objectives of the research**

The common target of the study is to investigate consumer buying decision making behavior, concretely to coffee.

In the study we try to approach three specific goals:

1. Research and evaluate consuming coffee situation in Vietnam
2. Analyze the factors affect buying decision making behavior to coffee of consumers. Thenceforth we try to design a common model for decision making process of Vietnamese consumers.

3. Base on analysis and evaluation consumer behavior, we propose some measures to help firms in coffee market to build effective business strategies.

### **3. The scope of the research**

We did the research within two months. To prepare for the study we find the documents including books, newspaper, magazines and previous studies that relate to our topic and they must be from reliable sources. We specially expect to link between theories and facts, so we try to be made clear about Consumer buying decision making behavior theory.

In order to collect opinions of consumers about their decision making we design a questionnaire and directly send to them. Because of limitation about the time and finance, we cannot deliver to a big number. Therefore, to make the study unbiased, we choose research subjects are students who are now studying in Hanoi and white-collar workers who often use coffee or at least they have ever used and know about this product. The number of people we do the survey is about 200. We try to keep secrete the information that may affect their answers to have the most honest responses.

The coffee brand names we use for asking are Trung Nguyen, Starbucks and CLT. They represent for familiar, new and completely fresh brand name respectively. Trung Nguyen is very well-known in Vietnam and almost people know it. Starbucks is one of the most famous trade names in the world but new with the Vietnamese. And CLT is the one that we named by ourselves, of course it does not exist actually, we want to see how consumers react with a strange and absolutely new product. These three branches have different characteristics about history, strength, quality, taste, reputation and so on. Our purpose is to investigate how these characteristics affect on consumers' behavior.

An important affair is to summarize and analyze received data. We use supporting tools such as Google Drive and Excel software. Furthermore, we apply theories about

probability and statistics to have most accurate and adequate awareness about the result. Thenceforward, we hope to be able to make useful comments.

#### **4. Structure of the research**

Beside the introduction and conclusion parts, the research contains three chapters:

Chapter 1: Theory of foundation. In this chapter the researcher will indicate the basic concept on consumer behavior. Besides, distinguish consumer and customer is useful to understand consumer behavior as an academic field of study. Furthermore, four types of buying decision making create an image of process of consuming coffee. Moreover, several elements effect consumer behavior will complete an overview about buying decision of consumer behavior.

Chapter 2: Investigating of Vietnamese consumers in Hanoi and buying decision making on coffee. This chapter shows collected data from over 200 people live in Hanoi about the way they choose a coffee product. The data is analyzed and presented in charts and numerical columns to compare the young and old, employed and unemployed and so on. After analysis, the researcher concludes some basic concept that is indicated by numbers.

Chapter 3: Implications for marketers and suggestions for future research. In this chapter, the firms will find out some recommendation for strategy in marketing and developing production. Precisely, the research presents what consumer concern about coffee product, which affects their choice. Besides, a few of subjective factor limits the outcome of researcher.

## **CHAPTER 1: THEORY OF FOUNDATION**

### **1.1. Concept of consumer behavior**

#### **1.1.1. Definition of Consumer behavior**

The term **consumer behavior** is defined as the behavior that consumer display in searching for purchasing, using, evaluating and disposing of product and services that they expect will satisfy their needs. Consumer behavior focuses on how individuals make decisions to spend their available resources (time, money, effort) on consumption related items. This includes what they buy, why they buy it, when they buy it, where they buy it, how often they buy it, how often they use it, how they evaluate it after the purchase and the impact of such evaluation on future, and how they dispose of it. In another words, consumer behavior can be defined as the behavior of individuals in regards to acquiring, using, and disposing of products, services, ideas or experiences. Consumer behavior also includes the acquisition and the use of information. Thus, communication with consumers and receiving feedback for them is a crucial part of consumer behavior which is of great interest to marketers.

#### **1.1.2. Customers and consumers**

The term of “customer” it typically used to refer to someone who regularly purchases from a particular store or company. Thus, a person who shops at Wuse Shopping Mall or who uses Texaco gasoline is viewed as a customer of these firms. The term “Consumer” more generally refers to anyone engaging in any of the activities used in our definition of consumer behavior. Therefore, a customer is defined in terms of a specific firm while a consumer is not. The traditional viewpoint has been to define consumers strictly in terms of economic goods and services. This position holds that consumers are potential purchasers of products and services offered for sale.

### 1.1.3. Consumer Behavior as an Academic Field of Study

The academic field of **consumer behavior** is the study of individuals, groups, or organization and the process they use to select, use and dispose of products, service, experience, or ideas to satisfy needs and the impact that these processes have on the consumer and society. Several discipline collectively referred to as the behavioral science have studies human behavior for sometime, and we can draw upon their contribution for understating consumer behavior extensive that consumer behavior is often said to be multidisciplinary in nature.

### 1.2. Type of consumer buying decision making behavior.

#### 1.2.1. Comparison of low and high involvement hierarchy

**Figure 1: The comparisons of low and high involvement hierarchy**

<b>Low involvement hierarchy</b>	<b>High involvement hierarchy</b>
1. Brand beliefs are formed first by <i>passive</i> learning	1. Brand beliefs are formed first by <i>active</i> learning.
2. A purchase decision is <i>made</i> .	2. Brand are evaluated
3. The brand may or may not be evaluated afterward.	3. A purchase decision is <i>made</i> .

Several studies have support the distinction between a low and high involvement hierarchy. A study of consumer choice of liquor brands conducted jointly by Joseph E. Seagram and Sons and Time, Inc. found that an increase in brand awareness was related to a subsequent purchase of the advertised brand. But there was no change their attitudes toward brand. The conclusion was that: “his finding tends to contradict the long-accepted belief that first you change people’s attitudes, then you change their buying habits.” The finding supported a beliefs/ behavior/ attitude hierarchy.

### 1.2.2. Four types of consumer buying decision making behavior

Nowadays, Consumer behavior is well-known by four types based on the level of involvement and decision making: complex decision making, brand loyalty, limited decision making, and inertia. The distinction between the high involvement processes (complex decision making and inertia) is most relevant here. The below figure shows that each of these processes is described by a different hierarchy of effects. The high and low involvement processes are also described by different learning theories based on these decision hierarchies.

**Figure 2: Four types of consumer**

	HIGH INVOLVEMENT	LOW INVOLVEMENT
<b>DECISION MAKING</b>	DECISION PROCESS <i>Complex Decision making</i> HIERARCHY OF EFFECTS Beliefs Evaluation Behavior THEORY Cognitive learning	DECISION PROCESS <i>Limited decision making</i> HIERARCHY OF EFFECTS Beliefs Behavior Evaluation THEORY Passive learning
<b>HABIT</b>	DECISION PROCESS <i>Brand loyalty</i> HIERARCHY OF EFFECTS ( Beliefs) (Evaluation) Behavior THEORY Instrumental Conditioning	DECISION PROCESS <i>Inertia</i> HIERARCHY OF EFFECTS Beliefs Behavior ( Evaluation) THEORY Classical conditioning

## **Complex Decision**

The upper left –hand box represents the process of decision making described by traditional “think before you act” hierarchy. The learning theory that best describes this process is cognitive learning, that is, a process that requires the development of brand attitudes and a detailed evaluation of brand alternatives.

The lower left hand-box describes brand loyalty, that is, purchase with little deliberation because of past satisfaction and a strong commitment to the brand as a result. The learning theory that best describes brand loyalty is instrumental conditioning (positive reinforcement based on satisfaction with leading to repetitive behavior). Both high involvement processes are described by a beliefs/ evaluation/ behavior hierarchy, except the forming beliefs and evaluating brands are not a necessary part of the choice process in brand loyalty.

## **Loyalty brand**

The lower right-hand box represents buying bases on inertia. As we saw, when a low involvement hierarchy operates, beliefs are formed passively, a decision is made with little information processing, and the brand is then evaluated after the purchase. As inertia involves repetitive buying of the same brand to avoid making a decision, subsequent brand evaluation does not occur after the first few purchase. This process is sometimes referred to as *spurious loyalty* because repetitive purchases may make it appear that the consumer is loyal to the brand when actually no such loyalty exists.

The learning theory that best describes inertia is classical conditioning. When the consumer is not involved with the product, contiguity between a stimulus and a response could be established more easily through repetitive advertising because the consumer is in passive state. The association is formed without thinking. When the consumer goes into a store, the association may be triggered by seeing the product, and the easiest thing is to buy a product with little deliberation. Thus, repetitive exposure to

a theme like “ The quicker, thinker picker upper” for Bounty paper towels right create association between absorbency and the product for a low involvement product category.

### **Inertia**

A study by Hoyer and Brown presents a good example of consumer choice by inertia. The Study examined how consumers process information for a low involvement product (peanut butter) and found that if consumers were aware of a brand, this awareness was sufficient to make a brand choice. Consumers would choose the known brand of peanut butter, even if taste tests suggested it was of alternative brand of peanut butter. They demonstrated inertia by simply selecting the brand they knew best.

Because of the dominance of low involvement products, inertia is probably much more common than most marketing managers would like to admit. Product managers and advertisers sometimes use marketing strategies that assume the consumer cares. Most consumers do not.

### **Limited decision making**

Some low involvement purchases warrant some decision making (upper- right box) The introduction of a new product, a change in the existing brand , or a desire for variety might cause a consumer to switch from buying based on inertia to limited decision making. For example, assume that a new, thinker paper towel is introduced that is advertised as being so strong, it can be reused. A consumer who consistently buys Bounty notices the ad. Involvement with the category is low, but introduction of the new product is enough to arouse mild interest and curiosity. The decision process conforms to low involvement hierarchy, as there is little information seeking and brand evaluation.

### 1.3. Elements effects on consumer behavior

#### 1.3.1. Consumer decision making

The process by which consumers make purchasing decisions must be understood in order to develop strategic applications. Consumer decision making is not a single process. Deciding to buy a car is a different process to buy toothpaste. Figure 1.2 presents a typology of consumer decision making based on two dimensions: (1) the extent of decision making and (2) the degree of involvement in the purchase.

**Figure 3: Consumer decision making**

	<b>HIGH INVOLVEMENT PURCHASE DECISION</b>	<b>LOW INVOLVEMENT PURCHASE DECISION</b>
<b>DECISION MAKING</b>	COMPLEX DECISION MAKING (autos, electronic photography system)	LIMITED DECISION MAKING (adult cereals, snack foods)
<b>HABIT</b>	BRAND LOYALTY (athletic shoes, adult cereals)	INERTIA (canned vegetables, paper towels)

The first dimension represents a continuum from decision making to habit. Decisions can be made based on a cognitive (thought) process of information search and evaluation of brand alternatives. On the other hand, little or no decision making may take place when the consumer is satisfied with a particular brand and purchase it consistently.

The second dimension depicts a continuum from high to low involvement purchases. **High involvement purchases** are those that are important to the customer. Such purchases are closely tied to the customer's ego and self-image. They involve some risk

to the customer: financial (highly price items), social (products important to the peer group), or psychological (the wrong decision might cause some concern and anxiety). In such case, it is worth consumer's time and energies to consider product alternative carefully. **Low involvement purchases** are not as important to the customer, and financial, social, and psychological risks are not nearly as great. In such case, it is not worth customer's time and effort to search information about brands and to consider the wide range of alternatives. Therefore, a low involvement purchase generally entails a limited process of decision making.

Decision making versus habit and low involvement versus high involvement produce four types of consumer purchase process. The first process, called **complex decision making**, takes places when involvement is high and decision making occurs (upper left-hand box). Examples might be the decision to buy an automobile. In such cases, consumers actively search to evaluate and consider alternative brands by applying specific criteria such as resolution and portability for electronic photography system or economy, durability, and service for an automobile. The subject of complex decision making (to be discussed in the next chapter) is particularly important as we will be introducing many of the key behavioral concepts such as perception, attitudes, and information search that are relevant to the development of marketing strategy.

Complex decision making will not occur every time the consumer purchases a brand. When choice is repetitive, the consumer learns from past experiment and buys the brand that is most satisfactory with the product. First, a decision in low involvement conditions is likely to be characterized by **limited decision making** (upper right-hand box). Consumers sometimes go through a decision process in buying, even if they are not highly involved, because they have little past experiment with a product. For example, a new line of microwaveable snacks category. The consumer examines the package in the store and purchases the product on a trial basis to compare to regular

snack foods. Information search and evaluation of brand alternatives are limited compared to complex decision making.

Limited decision making is also likely to take place when consumers seek variety. When involvement is low, consumers are most likely to switch brands out of boredom and in a search for variety. **Variety-seeking behavior** is likely to occur when risks are minimal and there is less commitment to a particular brand. The brand decision is not important enough to be preplanned. As a result, the decision is likely to be made inside the store. A consumer may decide to try a new brand of cookies or an adult cereal for variety's sake as there is little to lose.

Notice that adult cereals appear as products that could be characterized by both brand loyalty and limited decision making. This shows that the decision processes shown in Figure 3 are consumer specific rather than product specific. That is, the degree of involvement and decision making depends on consumer's attitude to the product than on the product's characteristics. One consumer might be involved with adult cereals because of their nutritional value; another might regard them as pretty much the same and switch brands in a search for variety.

The fourth choice process in Figure 3 is **inertia** (low right-hand box), or low involvement with the product and no decision making. Inertia means the consumer is buying the same brand, not because of brand loyalty, but because it is not worth the time and trouble to search for an alternative. Robertson states that under low involvement conditions "brand loyalty may reflect only convenience inherent repetitive behavior rather than commitment to the brand purchased." Example might be the purchase of canned vegetable or paper towels.

### **1.3.2. The Individual Consumer**

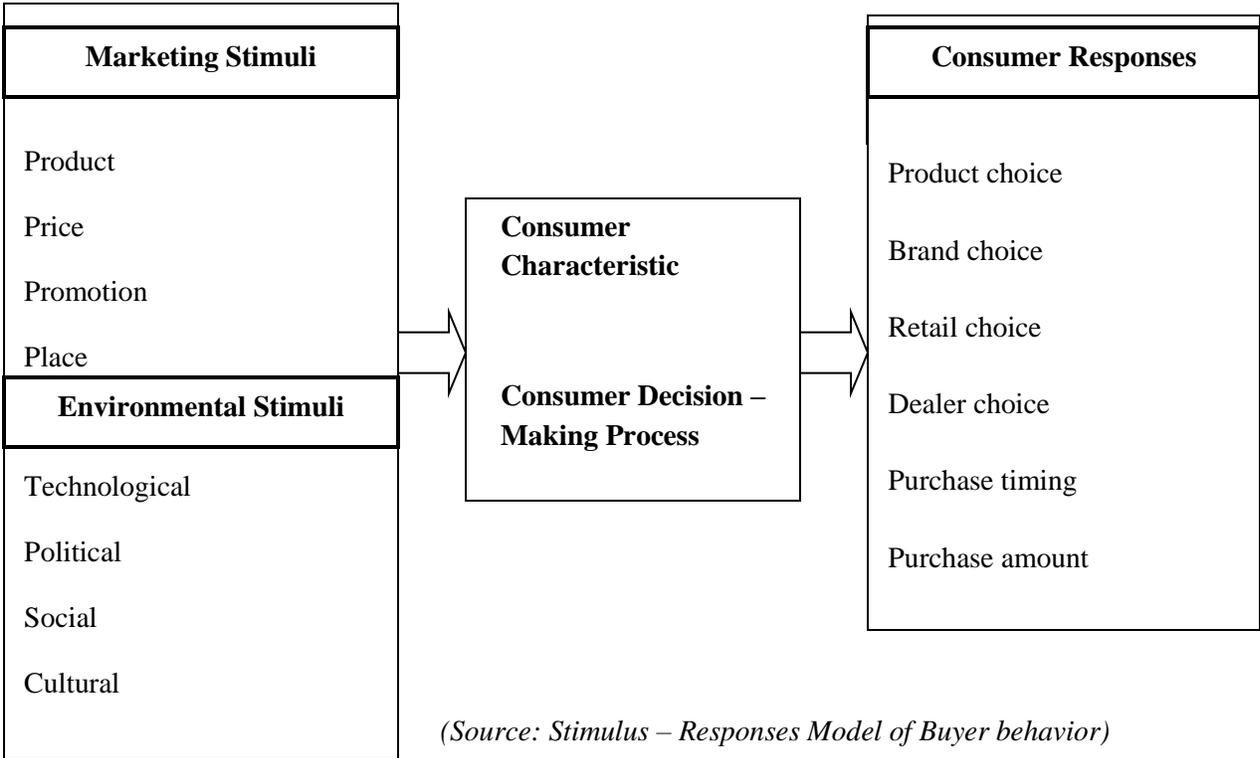
Individual consumer behavior is the process of how "individuals" act in selecting, using and disposing of goods, services, ideas or experiences to satisfy their needs and wants.

As individual consumers we make countless number of buying decisions throughout our lives. While some of our purchases are made unconsciously or requires low involvement, in some others we go through a long decision process. But in general, the individual consumer behavior is related to internal or external stimuli, shaped by consumer psychology and certain cultural, social or personal factors going through the buying process. The buying process starts with the recognition of a problem and followed by several stages like information search, evaluation of alternatives, purchase decision and post purchase behavior.

In the consumer choices, there are three influences: stimuli, consumer and consumer response.

The stimuli represent information perceived by consumers

**Figure 4: The consumer’s role in decision process**



The model shows the interaction of stimuli, consumer characteristics, decision process and consumer responses. There are two types of stimuli: Marketing Stimuli and

Environmental Stimuli. Marketing management must try to work out what goes on in the mind of the customer. The marketing stimuli are planned and processed by the companies such as products, price of products, promotion with products and the place where sell products, whereas the environmental stimuli are given by social factors, Technological factors, based on the economic, political and cultural circumstances of a society.

Stimuli represent information perceived by consumers. Consumers evaluate information on products and services from three sources of information: Personal sources, Commercial sources, Public sources. Personal sources are sources from friends and acquaintance or personal experience. About commercial sources are information from advertising, promotion, etc. Public sources are information from cultures.

The consumer is the central influence on consumer choice: The consumer thought variables and the consumer characteristics. The consumer thought variables are the cognitive factors that influence decision making. Three types of thought variables play an essential role in decision making.

First, perception is a process by which individuals organize and interpret their sensory impressions in order to give meaning to their environment. Absenteeism, turnover, and job satisfaction are also reactions to the individual's perceptions. Perception is important process because people's behavior is based on their perception of what reality is, not on reality itself. The world that is perceived is the world that is behaviorally important. Attitudes and benefits are also important in the consumer thought variables.

The second, consumer characteristics includes demographics, personality and life style. Demographics are basic identifiable characteristics of individual final consumers and organizational consumers, groups of final consumers and organizational consumers. Demographics are often used as segmentation bases because groups of people, or organizations, with similar demographics often have similar needs & desires that are distinct from those with different backgrounds. They include: age, race, religion, gender, family size, occupation, income level, education level, marital status and other.

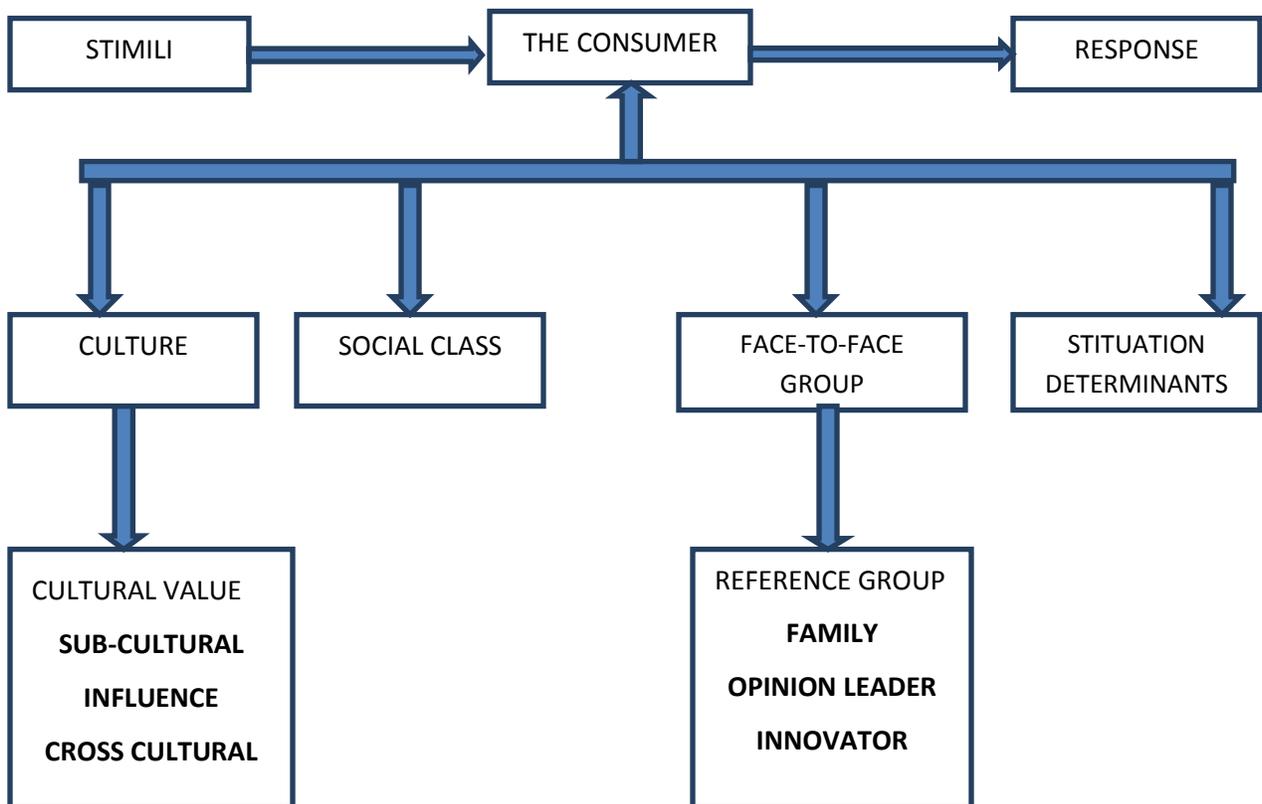
The third influence on consumer choice is response. Consumer response such as choice of a product category, choice of a store, choice of a particular communication medium or choice of a cause.

Demographics, personality and life style are includes in the consumer characteristics. Demographics are basic identifiable characteristics of individual final consumers and organizational consumers, groups of final consumers and organizational consumers. Demographics are often used as segmentation bases because groups of people, or organizations, with similar demographics often have similar needs & desires that are distinct from those with different backgrounds. They include: age, race, religion, gender, family size, occupation, income level, education level, marital status and other.

### 1.3.3. Environmental influence on consumer behavior

The figure below, the consumer is affected by environmental variables: culture, social class, face to face groups and situation determinants.

**Figure 5: Environmental influence**



## **a. Culture**

### **● Cultural value**

Culture refers to widely shared norms and patterns of behavior of a large group of people

Dimensions of cultural variation (Hofstede 1980):

- Power distance: degree to which human inequality (in terms of prestige, wealth, power, etc) is considered normally by the population of a country.
- Uncertainty avoidance: degree to which people in a country in a country prefer structured over unstructured situations( rigidity vs. flexibility)
- Individualism / collectivism: degree to which people in a country prefer to act as individuals rather than as members of a group
- Masculinity/ femininity: degree to which value such as assertiveness, performance, success and competition prevail over values such as quality of life, warm interpersonal relationships, service , care for weak and solidarity.
- Use of status symbols
- Showing people alone or as a part of a group
- Long copy or testimonial by experts
- Respect for old age
- Nonconforming life styles
- Men or women in traditional roles
- Importance of being well-groomed
- Nuclear versus extended family
- “it is so good, you want to keep it for yourself” versus “ it is so good you want to share it with others”

- “be the best” or “big is beautiful” versus “brilliant in its simpleness”

*(Source: Global Marketing and Advertising: Understanding Cultural paradoxes- 3<sup>rd</sup> edition)*

- **Cross-cultural: Globalization versus adaptation**

Globalization: argument that companies should ignore superficial cultural differences, learn to operate as if the world is one large market, and pursue this market with standardized market mixes (Levitt 1983).

Adaptation: argument that companies should emphasize local cultural differences, segment markets on the basics of these differences and adapt their marketing to mixes to the local culture.

Cross cultural influences identity differences in cultural values between nations.

- **Sub-cultural**

Sub-cultural refers to culture of a segment of society that differs in significant ways from the culture as a whole:

- Ethics groups
- Geographic areas
- Age groups
- Religious affiliations
- Socio- economic groups

- b. Social class:**

Social class is a hierarchy of social status in a society leading to interactions of people as equals, superiors, or inferior.

The influence is heavily educational credentials, occupation prestige level, income and area of residence.

### **c. Face-to-face groups:**

Face to face groups are important sources of information and influence for the consumer.

#### ● ***Reference groups***

A group of people that serves as a standard of reference in guiding an individual's thought, feelings and actions.

Types of reference group influence:

- Informational: acceptance of information from other
- Normative: conformity with expectation of others
- Comparative-value-expressive: identification with values of others

To satisfy the expectations of fellow work associates, the individual decision to purchase a particular brand is influenced by their preference. The individual seeks information from those who work with the product as a profession. Sometimes, consumer feels that it would be nice to be like the type of person which advertisement show using a particular brand. The brand which the individual selects is influenced by observing a seal of approval an independent testing agency. The individual feels that the purchase of particular brand helps him show others what he is, or would like to be (such as an athlete successful businessman, etc

#### ● ***Family***

Family is two or more persons residing together who are related by blood, adoption or marriage. Household is one or more people sharing the same housing unit. Many decisions are made by family or household, not individual. Consumer behavior varies over the family life cycle (based on age, marital status, and ages of children).

#### ● **Opinion leader**

- An essential component of face to face group influence is communication. One friend tells another that a certain brand of cold tablets is the most effective. One business associate tells another that stock is a poor buy. Such influence is by word- of mouth communication.

- *Innovator*

Communication also occurs across groups through a process of diffusion of information about new product. The individual who is usually the first to buy new products and influence others to buy is known as the innovator.

#### **d. Situational determinants**

The final environmental variables are important because to be considered is situation. Situational determinants are important because brand is preferences vary depending on the reason for which the brand is purchased. When asked whether a certain beverage, perfume, or automobile is preferred, it would be quite logical for the consumer to say “it depends on the situation”. Preferences for coffee brands have been shown to vary depending on situations such as “when alone”, “feeling happy” or “after wake up in the morning”. Preferences for snack products have also varied markedly depending on whether they are purchased for parties, for afternoon snacks or for bedtime snacks.

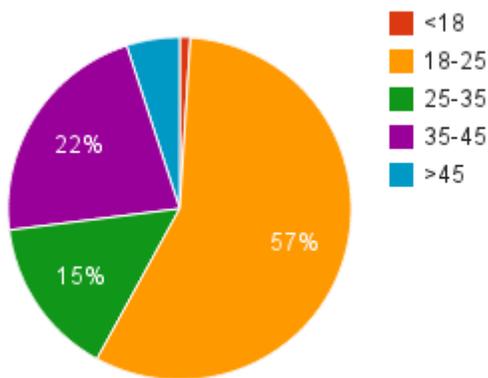
## CHAPTER 2:

### **Investigating of Vietnamese consumers in Hanoi’s buying decision making on instant coffee**

#### **2.1. Sample:**

Our topic is buyer decision making behavior for coffee products. Population sample is extreme large, we cannot ask every individuals to obtain the conclusion. Instead, we collect the data from a subset of individuals—a sample- and use those observations to make inferences about entire population. In this survey, we used the quota sampling method. Because of the lack of time and money, we tended to survey about 180-200 people in Hanoi and main target consumers are people from 18-45. Finally, our sample size was halted at the number of 183 people.

**Age**



Age	Number	Percentage
< 18	1	1%
18 – 25	105	57%
25 - 35	27	15%
35 - 45	41	22%
> 45	9	5%

Virtually people in the ages that we surveyed are students at colleges and office workers. In our survey, we used the term “office worker” is not merely office worker, it has a wider sense, it is “white-collar worker”. Particularly, the number of students and the number of office worker in our survey are 98 and 70 respectively. The reasons why our

survey concentrating on group of students and office workers is that they work for long hour, the need to be alert at all times and sometimes they need to come a coffee shop to discuss about their works. People who use coffee more regularly will help us to obtain more data in measuring and evaluating the effects of brands on buying decision making behavior.

## **2.2. Products in research:**

We chose 3 kinds of brand that are Trung Nguyen, Starbucks and CLT. The first kind of brand is Starbucks. Starbucks Corporation is an international coffee and coffee house chain based in Seattle, Washington. Starbucks is the largest coffee house company in the world, with over 16,858 stores in 50 countries, including over 11,000 in the United States, over 1000 in Canada, and over 700 in the UK. Starbucks already operates more than 3,300 stores across 11 countries in the Asia-Pacific region, and its entry into Vietnam marks the latest salvo in a campaign to woo Asia's emerging middle classes despite a stagnating U.S. economy. Starbucks has just entered the Vietnam market by opening the first Starbucks coffee shop in Ho Chi Minh City on February, 2013. "Vietnam is one of the most dynamic and exciting markets in the world and we are proud to add Vietnam as the 12th market across the China and Asia Pacific region," said John Culver, President, Starbucks China and Asia Pacific. "Starbucks is deeply respectful of Vietnam's long and distinctive local coffee culture. We know coffee is a national pride for many Vietnamese and as such, we look forward to contributing and growing Vietnam's already vibrant coffee industry. As we continue to source more Vietnamese high-quality, Arabica coffee we want to leverage our scale to bring the best of Vietnam's coffee traditions to the rest of the world." Starbucks has built the brand by delivering a consistent, authentic in-store experience to customers around the globe. The Starbucks Experience is built on sourcing high-quality Arabica coffee, delivering high-quality product innovation and surprising and delighting customers with an uplifting experience through engaged, passionate and knowledgeable baristas. With 41-years of coffee heritage and expertise, Starbucks is the coffee leader globally and has built the brand on its passion and pursuit of the highest quality coffee. Starbucks already purchases a notable amount of some of the highest-quality Arabica coffee from Vietnam and is

committed to sourcing more Arabica coffee from the Vietnam region over the long-term. Starbucks will continue to promote responsible business practices and production standards within its existing and prospective supply chains and will work closely with local coffee farming communities to elevate the quality of Arabica coffee and introduce customers globally to the rich Vietnamese coffee heritage. “Starbucks provides much more than just the best cup of coffee — we will offer a community gathering place where people come together, connect with family and friends and celebrate the local Vietnamese coffee culture and heritage,” said Jinlong Wang, president, Starbucks Asia Pacific. “We are looking forward to serving our customers in Vietnam in an authentic and locally relevant way. Specifically, we hope customers will join us in the stores to personalize their favorite Starbucks beverage and experience the unique third place between work and home that Starbucks is known for globally.”

The second brand- Trung Nguyen is a Vietnamese business group involved in the production, processing and distribution of coffee. Trung Nguyen is the largest domestic coffee brand within Vietnam, and exports its products to more than 60 countries, including major Asian markets such as Japan and Singapore. With 17 years establishing and developing, Trung Nguyen becomes the best well-known and popular coffee products in Vietnam with its sub-brands: G7 instant coffee, Creative Coffee which are the most familiar products for all people in Vietnam. The success of Trung Nguyen Café eventually spilled outside of Vietnam when the company developed the first franchised chain of coffee houses in Vietnam, expanding throughout the country and a number of neighboring countries. Now the most established, respected and successful producer of branded coffee in Vietnam, Trung Nguyen seeks to bring its unique blends to the attention of discerning coffee buyers in the US and Europe. In 2007, owing to its phenomenal growth and excellent business model, Trung Nguyen Coffee was awarded as a finalist in the Franchise Award 2007 by the Franchise Licensing Show Asia held in Singapore. In 2010, Trung Nguyen Coffee was again chosen as one of the two finalists in the prestigious Franchisor of the Year Award in the Franchise Awards 2010. This serves as a testament on how sustainable and profitable the Trung Nguyen Café franchise business is. As Trung Nguyen Coffee positions itself to become one of the top global coffee brands, it has embarked on a revitalized international franchising

venture. In line with the company’s Coffee Philosophy, the new international franchising program is anchored on unconventional franchising principles that give the franchisees better chances of success.

And what is the CLT? Have you ever heard about the coffee company called CLT? We are sure that it is the first time you hear about this coffee brand. Is it a brand-new coffee preparing set one foot on coffee market? Actually, it’s coffee brand in our imagination. It seemed to be very easy to think of a special name but it was not. We wanted to have a name that not only is special, unique but also arouse consumer’s curiousness. Eventually, the solution was not sophisticated as we expected. Simply, we chose CLT name which is originated from 3 first-letters in member’s group (Chang, Long, Tien). It is very abstract. Maybe, it means “Chất lượng tốt”. When we carried out the survey, everyone who did the survey for us were very amazed with this name, but we did not mention about the source of CLT name, people could only think of it was a new brand of coffee.

Why we chose Starbucks, Trung Nguyen and CLT for our survey? You can see that Starbucks, Trung Nguyen and CLT represented 3 genres of brand name. Starbucks is a well-known brand name in all over the world but it’s a new one in Vietnam coffee market. The second brand- Trung Nguyen is exceedingly popular for Vietnamese consumers. The third brand, nobody knows about it- it is only an assumption with novel and newfangled products.

	<b>Starbucks</b>	<b>Trung Nguyen</b>	<b>CLT</b>
Features	Well-known in all over the world. Rather new and unfamiliar with Vietnamese consumers.	Well-known and familiar with Vietnamese consumers.	Completely new brand name, unfamiliar with Vietnamese consumers and products are new-fangled.

As the above table, we can divide brands into three levels with 3 Fs.

**Famous** (Starbucks) → **Familiar** (Trung Nguyen) → **Fresh** (CLT)

Come back to our survey, to gauge Vietnamese buyer decision making behavior of consumers for coffee products, we made a questionnaire including 7 questions turning around 3 types of brand.



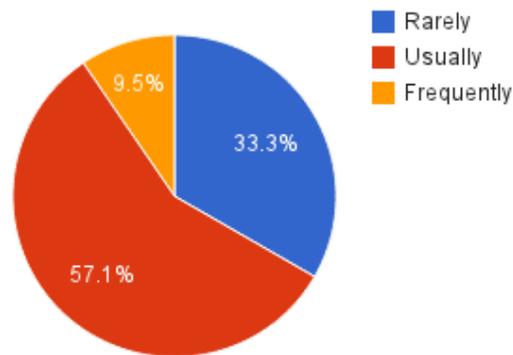
### 2.3. Findings:

When we performed the survey, we took the interest in the ages. We intended to assess how the age and the brands affect on the buying decision making behaviors. Before making survey, intuitively, we had reckoned that the difference in the ages can make some differences in psychology when they purchase goods. What are the differences between the young and the senior?

#### a. For the young:

In this survey, we defined the young are people at the age from 18 to 25. Our sample was dominated by the group of people from 18 to 25 with 105 people making up nearly 60%. One thing special in this group is that most of them are students at our University.

**Levels of using coffee in the young.**



Estimate the percentage of the young, who have known and used about three brands Trung Nguyen, Starbucks and CLT, we have:

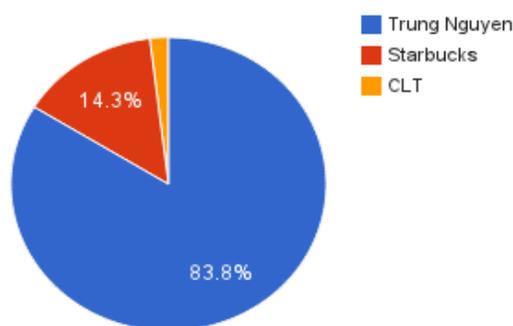
	<b>Trung Nguyen</b>	<b>Starbucks</b>	<b>CLT</b>
<i>Percentage of the young who have known about the brands.</i>	100%	21.9%	0%
<i>Percentage of the young who have used the products of the brands.</i>	89.5%	6.7%	0%

There is no surprise and no doubt with the products of CLT with no one has known and used it because it is only a fictitious brand. With Vietnamese consumers, Trung Nguyen

is not an unfamiliar name, so 100% of the young have known this brand and nearly 90% of them have used products of Trung Nguyen. Meanwhile, among the young, the proportion of people who have known and used Starbucks coffee is quite small comparing to these of Trung Nguyen. In particular, the rate of the young have known and used Starbucks are 21.9% and 6.7% respectively.

Regardless of these above data, the things more important are the buying decision making of the consumers and the reasons in the next questions in our survey.

**Choices of the young between Trung Nguyen, Starbucks and CLT.**



One more time, most of the young (83.8%) choose Trung Nguyen coffee. And 2 new brands, not many people choose them. To understand the reasons why Trung Nguyen is a prevalent choice, we move to the next 2 questions “What is (are) the reason(s) you choose this product?” and “Assume that you come to another place, you want to buy coffee. What types of coffee do you choose?”

<b>Question</b>	<b>Answer</b>	<b>Percentage</b>
<i>What is (are) the reason(s) you choose this product?</i>	<i>Habit of using the product.</i>	31.81%
	<i>Belief in the brand.</i>	52.86%
	<i>Novelty of the product.</i>	9.52%
	<i>Other reasons</i>	18.10%
<i>Assume that you come to another place, you want to buy coffee. What types of</i>	<i>Only product that you use always (if any)</i>	25.71%
	<i>Only choose the famous product.</i>	35.24%
	<i>Try a new product.</i>	28.57%

<i>coffee do you choose?</i>	<i>Whatever</i>	10.5%
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The reasons can interpret most of the young choose Trung Nguyen coffee are habit of using this product and belief in product. People choose to buy a newfangled product account for a small percentage (9.52%) that explains why the choice of CLT made up about 1.9%. It is so small comparing with the percentage 83.8% of Trung Nguyen. In fact, Starbucks is a famous brand but new for Vietnamese consumers. Thus, the proportion of people choosing Starbucks is greater than CLT but still quite small with that of Trung Nguyen. One special thing reinforcing the choice for consuming Trung Nguyen coffee is much more than Starbucks is that about 58.9% the young choose Trung Nguyen because Trung Nguyen is Vietnamese goods and its quality is acceptable. Another reason for the young buying Starbucks is that they are attracted by the design of product related to the design of Starbucks' glasses as the gift for the buyers.

In the next question, the situation in another place, what are their choices? Once again, the buying decision making is based on habit and the belief in brand. The rates they choose products that they use always and choose celebrated product are 25.71% and 35.24% respectively. However, this is a chance for CLT or Starbucks products because 28.57% of the young tend to try a new product in such situation.

	<b>Percentage</b>
<i>Try it and then decide buy it or not.</i>	50.48%
<i>Only choose products that you often use.</i>	13.33%
<i>Find out information carefully before buying it.</i>	20.00%
<i>Ask people who have experienced using it.</i>	16.19%

Before appearance of a new product, the option of the young "Try it and then decide buy it or not" occupies the largest percentage (50.48%). The smallest percentage 13.33% of the young only choosing products they often use. These manifests the young are more attracted by new products than habitual goods. The young also take the information into

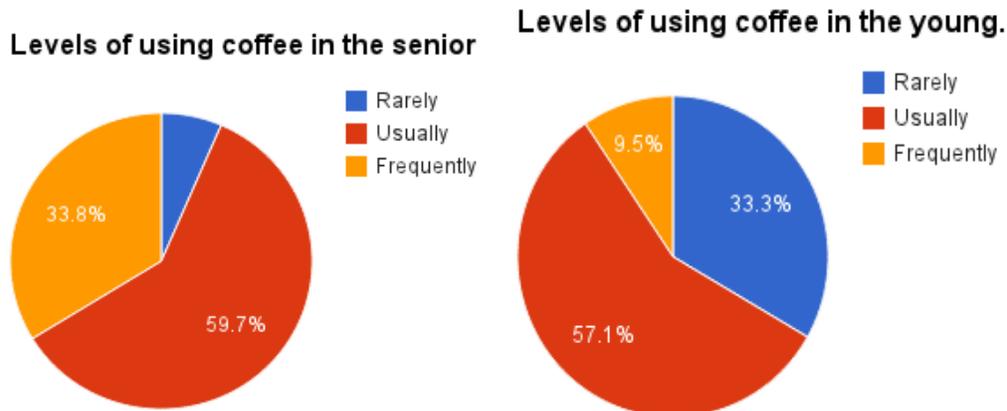
account. The proportion of finding out information carefully before buying it makes up 20% and that of asking people who have experienced using it accounts for 16.19%.

Overall, for the young, basically, the order of factors effecting on decision making when the young buy a coffee product is:

**Belief → Information → Novelty → Habit**

**b. For the senior:**

There were 77 people are greater than 25 years old in the survey. Regarding to the levels of using coffee, the percentages of people who usually use coffee are alike for the senior and the young. Our survey indicated that there is no significant difference between the senior and the young in the levels of using coffee and the percentage of people have known and experienced the products.



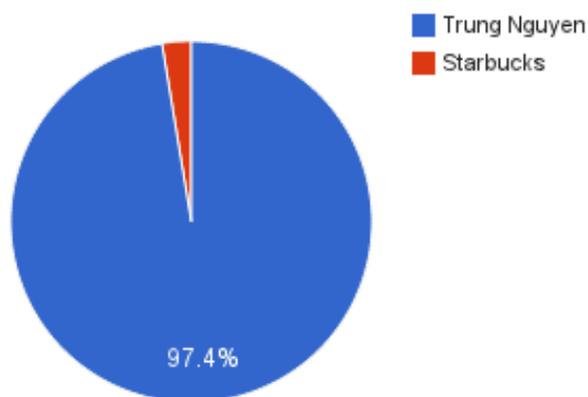
	Trung Nguyen	Starbucks	CLT
<i>Percentage of the senior who have known about the brands.</i>	100%	19.5%	0%
<i>Percentage of the senior who have used the products of the brands.</i>	97.4%	13.0%	0%

	<b>Trung Nguyen</b>	<b>Starbucks</b>	<b>CLT</b>
<i>Percentage of the young who have known about the brands.</i>	<i>100%</i>	<i>21.9%</i>	<i>0%</i>
<i>Percentage of the young who have used the products of the brands.</i>	<i>89.5%</i>	<i>6.7%</i>	<i>0%</i>

However, in general, the senior use coffee more often than the young. Although Starbucks is a famous brand the proportion of Vietnamese people have known this quite low. This is probably a challenge and it will take long time for Vietnamese people to know about the name Starbucks. And this is also more awkward for CLT- a nameless brand in the market.

Choosing between Trung Nguyen, Starbucks and CLT which kinds of product the senior choose?

**Choices of the senior between  
Trung Nguyen, Starbucks and CLT**



Once again, the choice for Trung Nguyen is dominated the choice of Starbucks and CLT with 97.4% of the senior choose Trung Nguyen. Among seniors, no one chooses CLT, and a small percentage of 2.6% people choose Starbucks. Meanwhile more young people accept new products and want to use them, especially Starbucks coffee.

<b>Question</b>	<b>Answer</b>	<b>Percentage</b>
<i>What is (are) the reason(s) you</i>	<i>Habit of using the product.</i>	<i>33.77%</i>

<i>choose this product?</i>	<i>Belief in the brand.</i>	68.83%
	<i>Novelty of the product.</i>	2.60%
	<i>Other reasons</i>	0%
<i>Assume that you come to another place, you want to buy coffee. What types of coffee do you choose?</i>	<i>Only product that you use always (if any)</i>	36.36%
	<i>Only choose celebrated product.</i>	41.56%
	<i>Sample a new product.</i>	19.48%
	<i>Whatever.</i>	6.49%

Only 2.60% of the seniors tend to choose kinds of coffee in accordance to the novelty of the products. This is the reason why the proportion of seniors who choose Starbucks and CLT is extremely small. Among the reasons why the seniors choose their own coffee products, the reason of belief in the brand occupied a large percentage 68.83%. But why Starbucks- a famous brand in all over the world account for a low percentage of the seniors' choices? Come back to the table of the proportion of people who have known and used kinds of coffee, just 19.5% of the seniors known about Starbucks. Hence, the choices of Trung Nguyen are still prevalent. Furthermore, more than a third of the seniors (33.77%) choose coffee due to habit of using this product. With 2 new brands Starbucks and CLT, people have more incentives to choose a familiar brand name- Trung Nguyen; as a result, nearly 100% of the seniors choose Trung Nguyen coffee.

In the assumption situation, if people want to buy coffee when they come to another place, that the seniors buy coffee because of the belief in brand is manifested with the largest proportion of the seniors only choose celebrated product (41.56%). The second largest proportion of coffee that the seniors choose is products using always. It expresses the habitual buying of the consumers. There is a noticeable thing in the seniors' survey. Although just 2.60% of the seniors choose Starbucks because of the novelty of the product, the percentage of people want to sample a new coffee product when they come to another place reaches to 19.48%.

The last question in our survey is “*What is (are) your reaction(s) before appearance of a new product*”.

<b>Answers</b>	<b>Percentage</b>
<i>Try it and then decide to buy it or not.</i>	33.77%
<i>Only choose products that you often use.</i>	42.86%
<i>Find out information carefully before buying it.</i>	14.29%
<i>Ask people who have experienced using it.</i>	14.29%

Information of the products before buying seems to be not important as belief in the products and habitual products for the seniors in general.

Overall, for the seniors, the order of factors effecting on decision making when the seniors buy a coffee product is:

**Belief → Habit → Novelty → Information**

#### **2.4. Summary the research's results**

<b>The young's order</b>	<b>The senior's order</b>
Belief → Information → Novelty → Habit	Belief → Habit → Novelty → Information

For both the young and the seniors, people decide to buy a coffee product based on belief in brand first. Although the percentage of the young who want to use new products than that of the seniors the novelty is ranked third in the order of factors effecting on decision making when people buy a coffee product.

With regard to the young, information of product is more important than the habit. While, for the senior, information and habit are in reverse order.

Collating to four types of consumer behavior, it's easy to find that the buying decision making of the seniors for coffee products belongs to the type ***Inertia*** and that of the young belongs to ***Complex Decision Making***.

## **CHAPTER 3:**

### **Implications for marketers and suggestions for the future research**

#### **3.1. Implication for the marketers**

Overall, for Vietnamese consumers, belief is the most important factor affecting to the buying decision making behavior. Whereby, concentrating quality of products is the key for both long-standing coffee company as Trung Nguyen and newly formed company like CLT. For the new company, it is too difficult to hold the market share when compete with long-standing company, the marketing strategies should take the advantages of the novelty of products. Although the novelty of product is ranked third in the order of factors affecting on buying decision making, the young are easier to accept the new product than the seniors. Therefore, the new company should have marketing strategies for the young first. Accepting the novel products of the young as well as the good quality of new products can form belief in product. Moreover, the information of product is also an important factor in buying decision making behavior with the young. For this reason, the new company can effectuate sampling their products to introduce directly necessary information about the new products. The young are more attracted by design of products, so the new company also should take it into account before products enter society. With long-standing companies, it doesn't mean only produce strong products. They should diversify their products and invent different products that suit for each group of people.

Moreover, most of people are fond of Trung Nguyen coffee brand (especially the seniors), thus, Trung Nguyen should strengthen popularizing and distributing products effectively to Vietnamese consumers, particularly people living in Ha Noi (according to the results of the research). With Starbucks and CLT, because of the small market shares,

it is quite difficult to succeed in Ha Noi coffee market. If Starbucks and CLT desire to penetrate the Ha Noi coffee market, they need a venture strategy such as “give freely larger number of products” as the gift for buyers in a long time to rival Trung Nguyen coffee- Vietnamese products which are believed and chosen by Vietnamese customer.

### **3.2. Suggestions for the future research**

When conducting the research, limitations are inevitable. In our study, there are some shortcomings. First of all, when we conducted the survey, we chose only three coffee brands: Trung Nguyen, Starbucks, CLT stand for “Familiar”, “Famous” and “Fresh” products respectively but, we ignored several different coffee brands in Vietnam such as Vinacafe, Nescafe, etc. Secondly, the sample size in our survey was quite small comparing to the total population and we only concentrated on people from 18 to 45 in Hanoi, meanwhile Starbucks has just opened one shop in Vietnam, in Ho Chi Minh city. These limitations can be surmounted in the next researches in future. The number of respondents in survey must be larger and more diversified in age and jobs.

Consumer behavior in general and buying decision making behavior of consumer in particular is very diverse and constantly changing according to the changes of surroundings, the time and place, etc. Thus, study about consumer behavior is very important and exceedingly needed. It helps strategic marketing planners get an overview of the consumer behavior of their customers along with the trend toward changing of the variation of environmental factors in microeconomic and macroeconomic; thereby making marketing methods and plans for production, business and provide reasonable efficiency for different customers on each different market. In spite of our study relating to coffee products, it is easy for a particular company apply model of this study to its products to find out the buying decision making behavior for them comparing to its competitors.

## **CONCLUSION**

In conclusion, the result of our study about the buying decision making behavior of Hanoi consumers for coffee products in terms of three kinds of brand is not really perfect but we can have a general view about buying decision making behavior of Hanoi consumer for coffee and the differences between the young and the seniors according to four types of consumer (Complex Decision making, Limited decision making, Brand loyalty, Inertia).

Through our research, a coffee company can find an appropriate marketing strategy and the potential customers. Not only for coffee company, the approach of this study can be broadened to many kinds of products to discover the buying decision making behavior and the effects of brand on it.

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## APPEDIX

### *QUESTIONNAIRE IN OUR SURVEY*

*Hi,*

*We are students of research group at University of Economics and Business. Now, we are studying about consumers' buying decision making on coffee products in Ha Noi. We wish you give us a moment to help us finish our survey. All of your personal information will keep in secret and use only for our study.*

*Thanks for your help!*

*I. Personal information:*

*1. Age:*

*a. < 18*

*b. 18 – 25*

*c. 25 - 35*

*d. 35 - 45*

*e. > 45*

2. Gender:

a. Male

b. Female

3. Occupation:

a. Student

b. Office worker

c. Worker

d. Homemaker

e. Seller

f. Others (Please write specifically)

.....

## II. Your opinions and ideas

1. How often do you use coffee?

a. Rarely

b. Usually

c. Frequently

2. Which kinds of coffee brand name do you know?

a. Trung Nguyen

b. Starbucks

c. CLT

d. Not all 3 these kinds.

3. Which kinds of coffee have you used?

a. Trung Nguyen

b. Starbucks

c. CLT

d. Not all 3 these kinds.

4. Choosing between Starbucks, Trung Nguyen, and CLT which kind of product you choose?

a. Trung Nguyen

b. Starbucks

c. CLT.

5. What is (are) the reason(s) you choose this product?

a. Habit of using the product.

b. Belief in the brand.

c. Novelty of the product.

d. Other reasons. (Please give your reasons).

6. Assume that you come to another place, you want to buy coffee. What types of coffee do you choose?

a. Only products that you use always (if any).

*b. Only choose celebrated product.*

*c. Sample a new product.*

*d. Whatever.*

*7. What is (are) your reaction(s) before appearance of a new product:*

*a. Try it and then decide buy it or not.*

*b. Only choose products that you use always.*

*c. Find out information carefully before buying it.*

*d. Ask people who have experienced using it.*