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The Effect of Brand Experience and Customer Satisfaction on Brand Loyalty: A Case Study of Tom N Toms Coffee in Mongolia

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CONTENT

CONTENT ........................................................................................................................................... 3
LIST OF FIGURE .............................................................................................................................. 5
LIST OF TABLE ................................................................................................................................. 6
ABSTRACT .......................................................................................................................................... 7
CHAPTER ONE: INTRODUCTION ..................................................................................................... 9
  1.1 BACKGROUND OF THE RESEARCH .................................................................................... 9
  1.2 RESEARCH MOTIVATION .................................................................................................. 15
  1.3 RESEARCH PURPOSE AND QUESTIONS .......................................................................... 16
  1.4 SIGNIFICANT OF THE RESEARCH ................................................................................... 17
  1.5 RESEARCH OUTLINE ......................................................................................................... 17
  1.6. DEFINITION OF THE TERM .............................................................................................. 17
CHAPTER TWO: LITERATURE REVIEW ......................................................................................... 19
  2.1 BRAND .................................................................................................................................. 19
  2.2 BRAND LOYALTY .............................................................................................................. 20
  2.3 BRAND EXPERIENCE ....................................................................................................... 23
  2.4 CUSTOMER SATISFACTION ............................................................................................... 25
  2.5 RELATIONSHIP BETWEEN BRAND EXPERIENCE, CUSTOMER SATISFACTION, AND BRAND LOYALTY .................................................................................................................. 26
    2.5.1 The relationship between Brand Experience and Customer Satisfaction .................. 26
    2.5.2 The relationship between Customer Satisfaction and Brand Loyalty ...................... 27
    2.5.3 The relationship between Brand Experience and Brand Loyalty .......................... 28
    2.5.4 Hypothesis and Conceptual framework .................................................................. 28
CHAPTER THREE: RESEARCH METHODOLOGY ........................................................................... 30
  3.1 RESEARCH APPROACH ...................................................................................................... 30
  3.2 DATA COLLECTION .............................................................................................................. 31
  3.3 DATA ANALYSIS .................................................................................................................. 34
CHAPTER FOUR: RESEARCH FINDINGS ........................................................................................................ 36

4.1 PILOT TEST ........................................................................................................................................ 36

4.2 DESCRIPTIVE RESULT ....................................................................................................................... 36

4.2.1 Demographic Profiles .................................................................................................................... 36

4.2.2 Consumer behaviors at Tom N Toms Coffee .............................................................................. 37

4.2.3 Brand Experience, Customer Satisfaction, and Brand Loyalty .................................................. 39

4.3 FACTOR ANALYSIS AND RELIABILITY TEST ............................................................................ 42

4.3.1 Brand Experience ......................................................................................................................... 42

4.3.2 Customer Satisfaction .................................................................................................................. 43

4.3.3 Brand loyalty ............................................................................................................................... 44

4.4 HYPOTHESIS RESULTS ............................................................................................................... 45

CHAPTER FIVE: CONCLUSION .............................................................................................................. 48

5.1 CONCLUSION ................................................................................................................................. 48

5.2 RECOMMENDATION ....................................................................................................................... 49

REFERENCE ............................................................................................................................................ 51
LIST OF FIGURE

FIGURE 1 PER CAPITA CONSUMPTION IN MONGOLIA .................................................. 10
FIGURE 2 GROWTH OF TOM N TOMS COFFEE CHAIN STORES ............................ 12
FIGURE 3 TOM N TOMS COFFEE IN MONGOLIA ......................................................... 13
FIGURE 4 TOM N TOMS COFFEE PRODUCTS ................................................................. 13
FIGURE 5 TOM N TOMS COFFEE PRODUCTS 2 ............................................................... 14
FIGURE 6 TOM N TOMS COFFEE PRODUCTS 3 ............................................................... 14
FIGURE 7 TOM N TOMS COFFEE OFFERS A VARIETY OF COFFEE-RELATED PRODUCTS ........................................................................................................... 15
FIGURE 8 FRAMEWORK OF THE RESEARCH ................................................................. 29
LIST OF TABLE

TABLE 1 QUESTIONNAIRE SCALE AND MEASUREMENT ........................................32
TABLE 2 RELIABILITY RESULT .............................................................................36
TABLE 3 DEMOGRAPHIC INFORMATION .................................................................37
TABLE 4 FREQUENCY OF PURCHASING TOM N TOMS COFFEE ..........................38
TABLE 5 TYPE OF COFFEE PURCHASE AT TOM N TOMS ..................................38
TABLE 6 PURCHASE OTHER BEVERAGE AT TOM N TOMS COFFEE ...................38
TABLE 7 PURCHASE COFFEE BEAN AT TOM N TOMS COFFEE FOR DRINKING AT HOME .................................................................39
TABLE 8 MEAN VALUE OF BRAND EXPERIENCE .............................................40
TABLE 9 MEAN VALUE OF CUSTOMER SATISFACTION .....................................41
TABLE 10 MEAN VALUE OF BRAND LOYALTY ..................................................42
TABLE 11 FACTOR ANALYSIS AND RELIABILITY TEST FOR BRAND EXPERIENCE 43
TABLE 12 FACTOR ANALYSIS AND RELIABILITY TEST FOR CUSTOMER SATISFACTION ...........................................................................44
TABLE 13 FACTOR ANALYSIS AND RELIABILITY TEST FOR BRAND LOYALTY ......44
TABLE 14 REGRESSION RESULT OF CUSTOMER SATISFACTION VS BRAND EXPERIENCE ...........................................................................45
TABLE 15 REGRESSION RESULT OF BRAND LOYALTY VS CUSTOMER SATISFACTION AND BRAND EXPERIENCE ..............................................46
The Effect of Brand Experience and Customer Satisfaction on Brand Loyalty: A Case Study of Tom N Toms Coffee in Mongolia

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ABSTRACT
Coffee shop business is well known, and mature business throughout the world. People consider this business as classic and it gives so much satisfaction to their customers. In many countries, people usually hang around coffee shops and while drinking coffee, you could do business, hang out with friends, do your homework, projects, and etc. It is convenient to place for you to relax and concentrate. The aim of this research is to study and understand the relationship between brand experience customer satisfaction and brand loyalty in the Tom N Toms Coffee in Mongolia. There are three main objectives of this research

1. To investigate the effect of brand experience, customer satisfaction and brand loyalty at Tom N Toms in Mongolia.
2. To describe the effect of brand experience on customer satisfaction and
3. To describe the effect of brand experience and customer satisfaction on brand loyalty

In this thesis, the research method is based on a quantitative approach using a questionnaire to collect data. The findings are established by using both existing literature and primary data. The study samples 242 consumers of one outlet of Tom N Toms in Mongolia as the case study. Data analysis for this study was conducted using SPSS (Statistical Package for the Social Sciences) software. The analysis used descriptive statistical such as mean, frequency, percentage and standard deviation, as well as inferential statistics (regression and analysis) to facilitate meaningful analysis. The finding indicated that there was a statistically significant, predictive relationship between the brand experience ($\beta=0.866$) of the Tom N Toms Coffee brand and the customer satisfaction ($R^2=0.749$, $F=705.077$, $p<0.001$). The result also showed that showed that
brand experience is a stronger influence than customer satisfaction in formation of brand loyalty. Overall, the result of this analysis support a modest, positive predictive relationship between the two predictor variables brand experience (β=0.618) and customer satisfaction (β=0.294) on brand loyalty ($R^2=0.782$, $F=422.563$, $p<0.001$).

**Keywords:** Customer satisfaction, Brand experience, Brand loyalty, Tom N Toms Coffee
CHAPTER ONE: INTRODUCTION

1.1 BACKGROUND OF THE RESEARCH

Mongolia is a country with a vast territory and only 3 million population in northeast Asia. It is the coldest country in the world even far below the Article Circle, Mongolia’s high altitude, which averages 4900 feet above sea level, and arid desert climate bring cool summers and bitterly cold winters. Mongolia’s winter begins in November and lasts through the end of April. Temperature hover around -30 degrees. Also, summer begins in June and lasts through the end of August, temperatures hover around +30 degrees.

The country’s tea culture is associated with its nomadic livestock industry. Traditionally Mongolians drink is “Suutei tsai” (tea with milk). A Georgian green tea is the most popular brand in the country. As the economy expands and more affluent young people emerge in the workplace, a rapidly growing coffee industry has emerged. Mongolia is a country more frequently associated with coffee drinking culture which dates from the end of 20th century.

In Ulaanbaatar, the nation’s capital, since 2013 many coffee shops opened their doors. Several are international franchise such as The Coffee Bean & Tea Leaf and Café Bene, a South Korean Coffee Chain with 1000 stores. In 2014, the local company Modernized obtained a franchise from Tom N Toms Coffee of South Korea, introducing a new brand. Coffee shops such as United Coffee Lovers, Ubean Coffee, Nayra, Caffè Ti Amo, Jack’s Coffee, and Bugis Coffee also provide delicious tasting coffee and service. (Badarch, 2016)

Mongolians are unfamiliar with various ways coffee is brewed and until recently the many variations in drinks. They refer to Americano as a black coffee, latte and cappuccino as a milk coffee and were not keen to explore others. This is also changing as coffee use rises in the country.

Consumption in Mongolia has averaged some 13000 bags since 2000 and there have been clear signs of growth over time, reaching 25000 bags in 2012. This gives a per capita consumption of around 300grams. With a population of 3 million which is steadily increasing there could be potential for a small increase in consumption, but it remains unlikely to become a major market in the near future. (International coffee council, 2015). In Figure 1, will show per capita coffee consumption in Mongolia according to International Coffee Council 112th Session.
The total market for imported coffee is estimated at $360,000. Seventy percent of coffee is processed imports. No coffee is grown in the country and there are few roasters. Coffee and tea are popular consumer goods found in 40% of the city’s households. Office coffee is popular. Almost all private and public offices consume coffee widely and market surveys show that coffee consumption is increasing year by year. However, studies have shown that Mongolians have been drinking coffee for relatively late periods, but the consumption of this product is increasing year on year. "The consumption of coffee for Mongolians" was discussed with Khangal who is the manager of the Mongolian marketing consulting group.

Manager Khangal said “For that reason, we started National Brand Atlas Research in 2013. A total 233 people were surveyed nationwide. A large national survey covering Ulaanbaatar, Erdenet, Darkhan, Aimag, and sums. From this perspective, over 1000 branded products of 133 different types of coffee. Our study covers 15-60 years old, about 53 percent of those in the age group have studied the use of coffee. As a result, coffee consumption is high. According to the Brand Media Atlas Group. 15-24 years old prefer coffee instead of milk. As age progressed, traditional managerial consumption of Mongolian tea increased” (Хагнал, 2016). Rapid growth in coffee sales, the proliferation of coffee shops and fierce competition in the space make brand loyalty more important ever for companies to compete effectively.

Thus, branding activities designed to enhance brand experience and customer satisfaction will become more necessary for the success, or even survival of coffee shops in Mongolia. This research examines how Mongolian coffee shops encourage repeat business, using example of franchise Tom N Toms Coffee.

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 apprehending service quality and satisfaction towards coffee shops along with customers’ wants. Lately, service companies try to secure loyal customers in numerous ways. The acquisition cost for a new customer is five times more than maintaining existing customers (Baker, Grewal, & Parasuraman, 1994).

In other words, good-quality service and product provided by coffee shops are reflected by customer satisfaction; maintaining customers provided those satisfactory products and high-quality service become the foundation for customers re-visitation and successful companies. An increase of customers with intention of revisit leads to maintenance and development of stable company profit. In today’s competitive coffee industry, efforts to investigate and reduce the difference between coffee shops’ and customers various and fussy wants are urgent (Jin, Yang-Ho, Ryu, & Ji-Won, 2015).

According to (Kapferer, 2008) selling to existing customers who make repeat purchases in the biggest source of revenue for most companies. It is not possible for a company or brand to sustain itself entirely on new customers because the supply of new customers within a local market will eventually decline. This means that companies need customers to repeatedly buy their products rather than simply trying the products once. For this reason, companies should build a loyal customer base in order to maximize revenue and sustain businesses. Once this is established, the company will have a competitive advantage in many other areas, such as expansion into new products and markets. This is particularly important for improving consumer goods for which repeat purchase and the low cost of the product provide a means to penetrate a given market.

(Kapferer, 2008) said that, one of the most important assets that a company can have is brand loyalty, which precedes customer repurchase behaviour. Brand loyalty does not necessarily imply that a customer will purchase a given brand every time, even though some consumers may purchase the same brand constantly. Instead, it implies that a customer has positive associations with the brand and preference for repurchasing it. The brand-loyal customer will also verbally support the brand by recommending it to others. Thus, generating brand loyalty helps companies both retain repeat business and gain new customers.
Given the importance of brand loyalty, it is a phenomenon worth studying. For the purposes of this research, brand loyalty will be examined within the context of the Tom n toms coffee shop market in Mongolia. This market was chosen because of its rapid extension.

Tom N Toms Coffee is a coffee house chain in South Korea. In 2001, Tom N Toms has founded. In 2009, the South Korean coffee chain established its first franchises abroad opening two stores in Australia and one in Singapore. From then on, the company have established branches and franchises across the world, including in the USA, Thailand, Philippines, Macau, China, Mongolia and Hong Kong that the company had over 600 international stores (Figure 2).

![Growth of Tom N Toms Coffee chain stores](image)

**FIGURE 2 GROWTH OF TOM N TOMS COFFEE CHAIN STORES**

Tom N Toms coffee is a global coffee business with increasing representation in the world such as the United States, Australia, China, Singapore, Thailand and Vietnam. Tom N Toms Coffee has a target to open 600 locations in South Korea within 3 years, offering quality rich, fresh coffee.

TOM n TOMS opened in 2014 in Mongolia. Tom n Toms have 9 branches in Ulaanbaatar and each of them has its own specific ambiance. They used modern interior and created clean and cozy environment and relaxable atmosphere, for having customer satisfaction. (CCTV, Parking side, Business room, reserved seat, baby changing room, smoking room etc.) (Figure 3)
Tom N Toms Coffee provided customers a convenient and pleasant experience and environment through efficient, psychologically appealing spatial design. Coffee roasted under radiant heat at 194°C and unique packaging of only the freshest coffee beans (which is INDONESIA TORAJA, COLOMBIA SUPREMO, TIMOR LESTE ERME, ETHIOPIA SIDAMO etc). (Figure 4)

(Premium blending- 5900-8900¥, Special latte- 6500-7000¥, Single origin- 7000¥) (1USD=2457¥)
And Pretzels, Pizza, Sandwich and bakery baked directly in the store, are always warm and soft. Also other cold and hot special tea, juice, ade, smoothie, cream latte and to0mncino. (Figure 5,6)

**FIGURE 5 TOM N TOMS COFFEE PRODUCTS 2**
(Pizza- 10500-12500¥, Pretzel- 10500¥, Bakery- 5500-8900¥, Sandwich- 8900¥) (1USD=2457¥)

**FIGURE 6 TOM N TOMS COFFEE PRODUCTS 3**
(Tomnccino- 9000¥, Juice, Ade- 7100-7900¥, Smoothie- 9000¥, Special tea- 6100-7100¥, Cream Latte- 8000¥) (1USD=2457¥)
1.2 RESEARCH MOTIVATION

Coffee shop business is very mature in many countries. Coffee shop business is known as classic and magnificent. For Mongolia, this business just came recently. In 2009, local coffee shops started their businesses and people of Mongolia knew nothing about coffee shops, how to drink them, what to drink at that time (Э.Насанжаргал & Т.Энхбужэн, 2009). Thus, it was rough for coffee shop owners to run their businesses by serving to people who had little knowledge about their business. Between 2012 and 2013, people started to realize about coffee shops, to dig more about coffees, and started to visit coffee shop more often. Just when things are getting better for local coffee shops owners, franchise coffee shops begin to compete in Mongolian market, and in only a few months later they have become dominant in this coffee shop business market (Э.Насанжаргал & Т.Энхбужэн, 2009). “Coffee bean”, “Tom N Toms”, and “Café Bene” are franchise coffee shops which dominated the Mongolian coffee shop market. The local coffee shops were struggling, yet they were still competing with franchises. Rosewood, Ti-Amo, and Wendy were main local coffee shops who have competed with franchises for a long time, but they could not even comparable with those franchises. Later on, those local coffee shops started to fade away into the shadow of franchises, as they have no chance. However local coffee shops mixed their services with restaurant, bakery, bar and etc. they have kept their businesses.
Running your own businesses is good for you and if it is new in the market, you have lots of advantages. Then, it will be very hard when large coffee shop franchises come to the market to compete. The business scale is totally different for people who are running local business and people who are importing or coming-in thrived businesses to the market. People will be more attracted to well known or thriving businesses. Especially in a country like Mongolia, coffee shop business was new to the market just a few years ago, but now there are coffee shops everywhere. First it was local coffee shops that have only one branch at that time, then now it has more than 2 branches. Even though local shops are trying to get bigger, franchise coffee shops coming in with at least 5 branches.

Last year in Mongolia, there have been 13 Café Bene’s branches, and 9 Tom N Toms Coffee branches opened their door. If we compare Café Bene and Tom N Toms branches with all local coffee shops branches in Ulaanbaatar, it would be equal (Б.Багдольд & У.Ирмуун, 2010). Thus the real questions lie within how to compete with those brand coffee shops, how to attract people to your coffee shops, work around of the main difficulties to run a business along with big brands in the world.

Brand loyalty is, moreover, important because it can promote sustainable success for companies. Customer who is loyal to a company do not only repeatedly purchase a product, but indicating willingness to pay extra for their preferred brand (Hoyer & MacInnis, 2008). Those loyalties do also refer their preferred brand to peers and relatives, making toe business more valuable and widely known (Mao, 2010). These benefits of achieving brand loyalty promote sustainable success for businesses. Given an example of the leading English football club such as Manchester United, the company seems to already achieve brand loyalty as it has a worldwide supporter who is not only willing to repeatedly purchase its football shirt and merchandises continually but tends to recommend the club to their friends.

1.3 RESEARCH PURPOSE AND QUESTIONS

This study will be significant for the companies who want to start or develop their coffee business in international markets particularly the Mongolian market. To make it clear that this study could help companies to know what factors affecting consumers to drink coffee in Mongolia.

There are three main objectives of this thesis

1. To investigate the effect of brand experience, customer satisfaction and brand loyalty at Tom N Toms in Mongolia.
2. To describe the effect of brand experience on customer satisfaction and
3. To describe the effect of brand experience and customer satisfaction on brand loyalty

To fulfill the aim, the following research question is put forward:

- Does brand experience and customer satisfaction have a positive effect on brand loyalty?
- Does brand experience have an effect on customer satisfaction?
- What characteristics of customers of Tom N Toms Coffee in Mongolia.

1.4 SIGNIFICANT OF THE RESEARCH

This study has provided valuable information for coffee retailer in Mongolia, about what aspects of their product and services promote brand loyalty, as well as what elements of their products and services may reduce brand loyalty. In order to take advantage of this growing market, retailers need to understand why consumer prefer their coffee and how they can promote their brands within a consumer community (Kapferer, 2008). In other words, this study will provide a new information that can help corporations understand consumer preferences and inform promotional strategies, benefiting coffee retailers as well as other retailers in Mongolia’s developing consumer markets.

1.5 RESEARCH OUTLINE

There are five chapters in this study. The first chapter introduces background and overview and focuses of the research, including research purpose, motivation and definition of terms. The second chapter examines theoretical concepts related to the research as well as reviews related literature that together would lead to development of hypothesis for further investigation. The third chapter explains and discusses methodology, for example research approach, data collection and data analysis. The fourth chapter then presents findings collected by questionnaire survey and analysis the data. The final chapter finds and conclusions of this study according to the result of the analysis.

1.6. DEFINITION OF THE TERM

Brand Experience: encompasses the full spectrum of involvement with a product or service, ranging from the initial search for the product to the purchase, receipt and consumption of it (Choi, Ok, & Hyon, 2011). Brand experience combines with four dimensions (which is sensory, affective, behavioral, intellectual) (Brakus, Schmitt, & Zarantonello, 2009). Definition of each dimensions are also provided below:
- **Sensory:** Refers to any passive aspects of brand involvement that is encoded directly via the senses of sight, hearing, taste, touch and smell (Shim, 2012).

- **Affective:** Refers to the feelings provoked by brand-related stimuli (Shim, 2012).

- **Behavioral:** Involves concrete action of an individual which is likely to be activated by brand-related stimuli (Shim, 2012).

- **Intellectual:** Involves brand-related stimuli encourage thinking, problem solving and overall curiosity (Brakus, Schmitt, & Zarantonello, 2009).

**Customer Satisfaction:** The extend to which a product or service pleases the customer and satisfaction his or her requirement (Nemati, Khan, & Iftikhar, Impact of Innovation on customer satisfaction and brand loyalty: A study of mobile phone users in Pakistan, 2011).

**Brand Loyalty:** Can be defined as a positive attitude toward the brand on the part of the consumer that leads to repeated purchasing and overall support for the brand (Hoyer & MacInnis, 2008).
CHAPTER TWO: LITERATURE REVIEW

This preliminary literature review is divided into two parts. The first provides a definition of core concepts such as brand, brand loyalty, brand experience and customer satisfaction. The second discusses prior research that has explored the relationships among these variables.

2.1 BRAND

According to (Frantzen & Moriarty, 2008), a basic definition of “Brand” is the set of signs and symbols (such as brand name, logo and other visual characteristics) that represent a given product or set of products to consumers. However, the authors note that this definition is actually too simple because it does not reflect modern branding practices. An expanded definition of the modern-day brand is that it presents the promise of a given level of quality, service and social meaning such as status or image that brand delivers to the customer.

Although a brand may be associated with an array of visual symbols, its most important aspects are its intangible qualities. A brand encompasses the perceptions and expectations held by consumers that relate to a particular product or the company that produces it (Mohammad, 2012). Brands can be differentiated from products in that brands represent the unquantifiable assets that shape consumer perceptions of a given product, but what the product symbolizes to the consumer, that matters.

Brand goes beyond the symbolic to encompass the values of the company from which they originate. When consumers choose a particular brand, they are also supporting the values that make up the corporation’s core ethos (Tu, Wang, & Chng, 2012).

According to (Trasorras, Weinstein, & Abratt, 2009), a brand’s value comprises four components: quality, image, price, and customer service. Of these, there is evidence that quality is the most salient characteristics (Nemati, Khan, & Iftikhar, 2011) are also important to brand value and hence, brand loyalty. Price sensitivity, by contrast, is actually reduced by brand loyalty (Baig & Khan, 2010), (Mohammad A., 2012). In other words, customers are willing to pay more for preferred brands. Given the importance of quality and the difficulty of providing quality at very low prices, it is obvious that creating a brand that inspires loyalty provides a significant competitive edge.

Brands are very important in marketing services because they provide differentiation in the minds of consumers, based on the information about quality, social meaning and other aspects of the brand and what the brand represents (Franzen & Moriarty, 2008). This is a
significant advantage for firms operating within a competitive market who must distinguish themselves from competitors (Kapferer, 2008)

A company’s brand is a key variable in determining its value as an organization within a competitive market environment and this is among the most valuable assets a company can develop. A brand not only drives sales in the short term but also influences long-term relationships with customers that can drive future sales (Mohammad, 2012). However, for a brand to be effective in providing its owner with a competitive advantage, brand loyalty is required. This concept is defined in the section that follows.

2.2 BRAND LOYALTY

To understand brand loyalty, it is first important to understand what a brand is. One definition of a brand is “a set of mental associations, held by the consumer, which add to the perceived value of a product or service” (Keller, 1998, cited in (Kapferer, 2008) p. 10). This definition of the brand is important and is widely used because it distinguished from the external characteristics of the brand such as its signs and trademarks, and the cognitive characteristics and recognition of the brand in the mind of the consumer, which is what gives the brand its power (Kapferer, 2008). More detailed definition of the brand refers to brand image and brand identity as determining factors in the brand (Frantzen & Moriarty, 2008). In this case, the brand image refers to the external definition of the brand as promoted by the brand manager, and includes aspects such as trademarks and marketing efforts. The brand identity, on the other hand, refers to the deeper definition of the brand as a set of ideas, norms, or social indicators and ideas associated with the brand (Frantzen & Moriarty, 2008). While the marketer controls brand image, brand identity is constructed between the consumer, the marketer and the employee. In many respects, the brand identity is more important than the brand image because the brand identity represents the fuller set of associations and cognitions that consumer makes purchasing decisions from (Frantzen & Moriarty, 2008).

Brand loyalty can be defined as a positive attitude toward the brand on the part of the consumer that leads to repeated purchasing and overall support for the brand (Hoyer & MacInnis, 2008). A formal definition of brand loyalty is “the biased behavioural response, expressed over time, by some decision making unit with respect to one or more alternative brands out of a set of brands, and is a function of the psychological (decision making, evaluative) processes” (Jacoby & Chestnut, 1978, cited in (Guven, 2009), p.159). This definition makes the process of brand loyalty clearer; it is a cognitive process that results in the selection of one brand over another by a given decision unit in the long term (Guven, 2009). Thus, brand loyalty refers not just to the
selection of a given brand once, but the selection of the brand repeatedly over time. According to (Mao, 2010), four types of brand loyalty have been identified: captive, convenience, contented and committed. The first two, captive and convenience are not driven by a preference for the brand, but rather by lack of options altogether or lack of convenient options. Contented consumers, by contrast, are loyal due to a high level of customer satisfaction and positive attitude toward the brand, while committed consumers not only like the brand and the associated customer experience but will go out of their way to consume the product.

Brand loyalty confers significant benefits for companies. A recent large-scale survey conducted by (Clickfox, 2012) found that 78% of brand-loyal consumers will tell others to buy (or buy more) from the corporation, 69% purchase more products from the company and 54% actively avoid buying competing products. Brand loyalty is considered a critical feature of overall brand value because loyal consumers will seek out and even pay more for their preferred brands, as well as referring to additional customers (Mao, 2010). A recent survey found that 87% of consumers would pay more or drive further to obtain the brands to which they were loyal (Clickfox, 2012), and this willingness to pay more due to brand loyalty has been confirmed by other researchers (Mohammad, 2012). However, as both (Guven, 2009) and (Kapferer, 2008) noted, brand loyalty does not guarantee the same purchase everytime, particularly for fast-moving consumer goods such as dairy products and cleaning products. Consumers may be generally loyal to a given brand, while at the same time occasionally choosing other brands because of convenience, price, or a desire for novelty.

According to (Hoyer & MacInnis, 2008), brand loyalty is important for consumers because it simplifies the buying decision. For instance, if individuals have had positive experiences with a branded product in the past, it is likely that they enter the store to purchase the brand that they are loyal to without long-time consideration. The authors note that brand loyalty is also important from the retailer’s point of view because it increases the likelihood (though it does not make it certain) that a consumer will buy the same brand repeatedly. Thus, brand loyalty is how the branded product builds up a repeat customer base, which it needs for market growth.

It is difficult to objectively measure brand loyalty due to the fact that various definitions have been used by writers and researchers. Some popular methods of measuring brand loyalty objectively have included purchasing behaviors and price sensitivity (Mohammad, 2012). Brand loyalty can be measured more informatively by surveying consumers to determine their commitment to the brand based on key variables such as bias in favor of the product (or against
it) and stability of consumers’ opinions over time. These factors measure attitudinal loyalty, which often predicts purchasing behavior (Mohammad, 2012). (Mao, 2010) provides a simple method for measuring brand loyalty empirically using a survey methodology. Consumers are divided into three groups depending on whether their scores on a given measure identify them as promoters (those with a positive image of the brand), passives (those who are indifferent to the brand) or detractors (those who dislike the brand). Then the percentage of the entire subject pool that the promoter group represents is calculated to determine the overall level of brand loyalty. (Mao, 2010) notes that the majority of companies receive scores of 10% to 20% on this measure.

However, a number of researchers have agreed that brand loyalty can be measured through attitudinal loyalty and behavioral loyalty (Bandyopadhyay & Martell, 2007), (Chaudrhuri & Holbrook, 2001). Attitudinal loyalty can be recognized when an individual expresses a positive feeling, opinion or view toward a brand itself or products offered

(Bandyopadhyay & Martell, 2007) suggested that attitudinal loyalty is an aspect that a brand marketer should carefully monitor because it can explain reasons why an individual expresses behavioral loyalty (or repurchase behavior). For example, if a consumer perceives that Tom N Toms coffee offers high quality of coffee bean, he/she would likely purchase products offered by the brand, and if the perception of such quality is stable over time, he/she would likely to be repeated consumer. This brand loyalty is created. Although (Mao, 2010) did provide a method of how to measure brand loyalty, the present study would consider attitudinal loyalty and behavioral loyalty as the component for measuring brand loyalty based on the reason that these two components have been widely used by other researchers as a measurement for brand loyalty. However, this combined approach does need to be critiqued, as it can easily lead to the researcher missing unique facets of the development of brand loyalty between attitudinal (recommendation) and behavioral (repurchase) behaviors (Soderlund, 2006). This creates a one-dimensional view of consumer loyalty that may miss subtleties in aspects of brand loyalty (for example, purchase a preferred brand). Another potential problem with a combined measurement approach for brand loyalty is that it does not take into account the development aspect of consumer loyalty, where consumers grow gradually more loyal to a brand based on repeated experience (McMullan, 2012).

A useful set of brand loyalty metrics is provided by (Choi, Ok, & Hyon, 2011), which integrate attitudinal and behavioral loyalty characteristics. The behavioral characteristics selected by (Choi, Ok, & Hyon, 2011) include whether the person will continue to buy the product itself, which is the defining behavioral component of customer loyalty (Bandyopadhyay & Martell,
2007) (Chaudhuri & Holbrook, 2001). However, as others have noted, behavioral loyalty can be influenced by other factors such as habit or convenience rather than true brand loyalty. Because of this, it is necessary to add an attitudinal component to measure brand loyalty (Choi, Ok, & Hyon, 2011) add four attitudinal questions to the measurement of brand loyalty, including asking about the recommendation of the brand, preferred choice, positive speech, and encouragement of the brand to others.

2.3 BRAND EXPERIENCE

Brand experience can be defined simply as the consumer’s interaction and engagement with the brand and associated products on multiple levels (Brakus, Schmitt, & Zarantonello, 2009). Brand experience encompasses four dimensions: sensory, affective, behavioral and intellectual (Brakus, Schmitt, & Zarantonello, 2009) (Choi, Ok, & Hyon, 2011). Sensory brand experience prefers any passive aspects of brand involvement that is encoded directly via the senses of sight, hearing, taste, touch and smell (Shim, 2012). Exciting design elements and other tangible qualities of a product are most likely to trigger sensory effects. However, aspects of design may evoke feelings, trigger behaviors or even tap into the intellectual dimension as with design that uses complex pattern (Brakus, Schmitt, & Zarantonello, 2009). The suggests that there are spill-over effects from one dimension to the next. Affective experience refers to the feelings provoked by brand-related stimuli (Shim, 2012). This domain can be simply defined as emotional response and arousal, but its effect can be profound. In fact, attitudes toward a product are largely based on affective reactions to that product or its brand-related stimuli (Brakus, Schmitt, & Zarantonello, 2009). In another word, if elements associated with the brand trigger positive feelings, the brand experience will be enhanced. The behavioral domain, which encompasses concrete actions, may be activated by various brand-related stimuli. For example, a slogan that encourages action, such as Nike's “just do it”, appeals to the behavioral dimension (Brakus, Schmitt, & Zarantonello, 2009), which can encompass anything from a single action to an entire lifestyle change (Shim, 2012). The intellectual dimension, like the behavioral dimension, represents an active rather than passive reaction. However, the activity takes place in the mind rather than overtly. This domain is activated when brand-related stimuli encourage thinking, problem-solving and overall curiosity (Brakus, Schmitt, & Zarantonello, 2009). There are many factors that may influence brand experience, including the name, symbols, design elements, packaging, marketing materials and environments and others (Shim, 2012). More intangible brand-related stimuli such as the company's core ethos and the beliefs and attitudes it promotes are also elements of the brand experience that can significantly influence brand loyalty (Goodson, 2011).
Brand experience is important because it provokes positive feeling among customers toward a brand (Brakus, Schmitt, & Zarantonello, 2009). Consumers with positive brand experience better remember the brand than those who do not positively experience the brand. Companies attempt to create the brand experience as they believe that it could lead to a positive attitude toward the brand and eventually encourage purchase behavior (Goodson, 2011) (Mao, 2010). Brand experience comprises the feelings, cognition, sensations and behavioral responses triggered by brand-related stimuli, which may include everything from slogans to brand mascots to symbols (Brakus, Schmitt, & Zarantonello, 2009). Brand experience encompasses the full spectrum of involvement with a product or service, ranging from the initial search for the product to the purchase, receipt, and consumption of it (Choi, Ok, & Hyon, 2011).

There are a number of studies that have demonstrated the empirical importance of brand experience. One study focused on the importance of the brand experience of a parent brand in the willingness of consumers to try brand extension and to continue to purchase then (Kim & Sullivan, 1998). This study compared consumer response across three consumable goods items, finding that in each case there was an increased willingness to try brand line extensions (which are different, though often related, products sold under the same brand) and to keep buying them (Kim & Sullivan, 1998). The importance of this study is that supports the relationship between brand experience and brand loyalty. Another theoretical discussion that is particularly relevant for this research found that emotional brand experience is very important for developing a service brand (Morrison & Crane, 2007). The discussion pointed out that consumers engage with service brand in large part because of emotional engagement, such as comfort or familiarity with service workers and service offerings, that and not necessarily so much because of differences in the service offering or quality (Morrison & Crane, 2007). This means that for service brands (such as coffee shop brands), it is particularly important to encourage the development of positive emotional brand experience in order to encourage brand loyalty for service brand customers. This both supports the relationship between brand experience and brand loyalty and reinforces the importance of emotional brand experience for the service setting. A third study of Harley-Davidson consumers in Australia suggests that brand experience represent part of the formation of identity for consumers (Schembri, 2009). In other words, the act of consuming the brand (or the experience with the brand) become part of how the consumer defines herself or himself as a social person (Schembri, 2009). The Harley-Davidson consumer experience the brand not individually, but a part of a particular social group and setting (Schembri, 2009).

Measurement of brand experience was most clearly undertaken by (Brakus, Schmitt, & Zarantonello, 2009). (Brakus, Schmitt, & Zarantonello, 2009) offered a series of 12 items, or
three items for each of the four domains mentioned above (sensory, affective, behavioral and intellectual), that showed significant connections to the dimensions of brand experience. The modification of the brand (Brakus, Schmitt, & Zarantonello, 2009) scale for coffee house experience as used in this study is shown in Table 2 in Chapter 3. This scale was not further modified because few researchers in brand experience have clearly identified their scaling mechanism or items.

### 2.4 CUSTOMER SATISFACTION

Customer satisfaction is the extent to which a product or service pleases the customer and satisfies his or her requirement (Nemati, Khan, & Iftikhar, Impact of Innovation on customer satisfaction and brand loyalty: A study of mobile phone users in Pakistan, 2011). Customer satisfaction has two parts: the affective and the cognitive. The former relates to a subjective feeling that the product, service or overall experience in dealing with the company has been positive, while the latter encompasses thoughts and judgments about the product or service, and by extension, the brand (Tu, Wang, & Chng, 2012). Given that the company's success depends on its ability not only to attract customer satisfaction is a critical differentiation factor.

There are two types of customer satisfaction that can be measured by researchers: transaction-specific satisfaction and cumulative satisfaction (the degree to which the consumer is pleased with the product or experience after consumption has occurred). The latter is more often the focus of research studies (Tu, Wang, & Chng, 2012).

Customer satisfaction can promote brand loyalty because satisfied customers are not only more likely to purchase the product or service again the future (Baig & Khan, 2010) (Tu, Wang, & Chng, 2012), they are also more inclined to recommend it to their friends and family (Baig & Khan, 2010), (Choi, Ok, & Hyon, 2011), (Nemati, Khan, & Iftikhar, Impact of innovation on customer satisfaction and brand loyalty: A study of mobile phone users in Pakistan, 2011). Bain and company's net promoter score, a measure of the willingness of the customer to recommend a brand to others, is positively correlated with profit growth in the long term (Pringle & Field, 2009). This indicates a direct relationship between customer satisfaction and company success.

How can customer satisfaction be increased? (Mao, 2010) makes two overarching recommendations: make customer care a bigger priority and be honest with customers. The former can be done by asking customer open-ended questions to learn about their experience with the brand and using this feedback to improve customer care in the future. The second involves being forthright about the things that matter to customers. Although customer satisfaction is a subjective reaction, it is relatively easy to measure with questionnaires. As with
the other interrelated branding dimensions, researchers tend to measure customer satisfaction using Likert-scale instruments (Brakus, Schmitt, & Zarantonello, 2009), (Nemati, Khan, & Iftikhar, Impact of innovation on customer satisfaction and brand loyalty: A study of mobile phone users in Pakistan, 2011). For the purpose of this study, customer satisfaction will be measured through effective and cognitive dimensions as these two variables have already been validated by several previous studies.

2.5 RELATIONSHIP BETWEEN BRAND EXPERIENCE, CUSTOMER SATISFACTION, AND BRAND LOYALTY

The key variables in this study include brand EXPERIENCE, customer satisfaction, and brand loyalty. There has been a large amount of research conducted on the interrelationships of these factors. The following are some of the more noteworthy recent studies.

2.5.1 The relationship between Brand Experience and Customer Satisfaction

The findings of a study conducted by (Choi, Ok, & Hyon, 2011) indicate that the relationship between brand experience and Customer Satisfaction is bidirectional. The authors found that brand experience, which encompasses various factors including perception of brand prestige and trustworthiness, significantly impact customer satisfaction, and Customer satisfaction impact brand experience as well. This relationship is positive, in that a more satisfactory brand experience well result in a positive increase in brand satisfaction. Similarly, a positive increase in customer satisfaction also results in a positive increase in brand experience. Thus, this is a positive feedback loop, with a good or bad brand experience resulting in good or bad brand satisfaction and vice versa.

Some dimension of brand experience may have a greater influence on customer satisfaction, and by extension, brand loyalty, than other aspects. In particular, consumers positive or negative experience with a particular product or service triggers an emotional response that profoundly influence satisfaction. This is a positive relationship. That is, the positive or negative experience influences satisfaction in the same direction; a positive experience will increase satisfaction, while a negative experience will decrease satisfaction.

Furthermore, The affective customer satisfaction increases the likelihood that consumers will be willing to pay higher prices and provide free advertising by recommending the product or service to others (Baig & Khan, 2010). Thus, the affective dimension of brand experience may play a more important role in customer satisfaction and brand loyalty than other dimensions such as the sensory, behavioral and intellectual. This is supported by research showing that people are more loyal to products when the company supports a good cause, even to the point of enduring
inconvenience or higher prices (Crain, 2010). However, other aspects of brand experience should not be underestimated, particularly for technology-focused products, as the research conducted by Nemati et al. (2010). Has shown.

Using a Likert-scale questionnaire to gauge customer satisfaction, (Nemati, Khan, & Iftikhar, Impact of Innovation on customer satisfaction and brand loyalty: A study of mobile phone users in Pakistan, 2011) found a positive correlation between corporate innovation and customer satisfaction among mobile phone consumers. That is, higher levels of satisfaction among mobile phone consumers were associated with higher levels of corporate innovation and vice versa. This is unsurprising, given that innovative new products target all of the senses, providing new sights and sounds, the excitement of novelty and pleasure of owning something new and therefore prestigious, the behavioral urge to acquire and interact with cutting-edge products and the intellectual stimulation of learning about a new technological offering. It could also reflect decreased satisfaction associated with poor innovation which may result in poor products or services offered by some firms. However, it should be noted that despite the power of brand experience in influencing customer satisfaction, the researchers found that price was still the most salient factor in the purchase, rather than customer satisfaction. Therefore, the affective dimension (the good feeling that comes from obtaining a great deal) may be the most potent force in shaping customer satisfaction, since affective brand experience results in increased customer satisfaction. Also, the researchers found that innovation does not positively affect brand loyalty, even though it does influence customer satisfaction. In other word, although the customer appears to be more pleased with innovative mobile phone products, this could be due to the rapid innovation associated with mobile phones and their development.

2.5.2 The relationship between Customer Satisfaction and Brand Loyalty

Customer satisfaction is a key variable in encouraging brand loyalty. Studies have shown that customer satisfaction with the brand experience and the product itself has positive effects on brand loyalty through both direct and indirect routes (Baig & Khan, 2010); (Choi, Ok, & Hyon, 2011); (Kapferer, 2008).

A Large scale brand loyalty survey conducted by (Clickfox, 2012) found that customer satisfaction was second only to product quality in encouraging brand loyalty.

(Tu, Wang, & Chng, 2012) conducted a study of Starbucks coffee drinkers in Taiwan to examine the relationship between CS and BL. They administrated a questionnaire (a five point Likert scale) to volunteers at the main entrance of Taipei Starbucks. Unsurprisingly, the researchers found that customer service was positively correlated with brand loyalty.
2.5.3 The relationship between Brand Experience and Brand Loyalty

Many studies have identified a positive correlation between BE and BL. (Brakus, Schmitt, & Zarantonello, 2009); (Clickfox, 2012); (Nemati, Khan, & Iftikhar, Impact of Innovation on customer satisfaction and brand loyalty: A study of mobile phone users in Pakistan, 2011); (Shim, 2012). And the affective dimension of brand experience appears to be particularly critical to brand loyalty in the modern marketplace.

(Mohammad A. A., 2012) research found a significant correlation between trust in a particular brand (which arises as a result of brand experience) and brand loyalty. The study also found that brand loyalty positively influences perceived value of a product. As with others in the field, Mohanned used a Likert-scale questionnaire with items adapted from the measurement instruments of prior researchers. Items designed to measure brand loyalty included statement such as “The next time I need that product, I will buy the same brand” (Mohammad A. A., 2012):119.

Despite the importance of the affective dimension of brand experience, there are a number of other factors influencing brand loyalty such as cost, as well as perceived quality and value (Mohammad A. A., 2012). Perceived quality is particularly important because it touches upon all four components of brand experience. Consumer may gauge quality based on a product’s sensory attributes (appearance, auditory qualities, smell, taste and or texture), its affective attributes (how owning or consuming the product makes them feel), its behavioural attributes (what the brand or its provider actively does for them, as well as how they behave in response to the brand) and intellectual attributes (rational analysis of a brand’s features and benefits). Given that quality encompasses all aspects of the brand experience, it is unsurprising that it has been identified as the primary influence on brand loyalty by various researchers (Clickfox, 2012); (Nemati, Khan, & Iftikhar, Impact of Innovation on customer satisfaction and brand loyalty: A study of mobile phone users in Pakistan, 2011).

2.5.4 Hypothesis and Conceptual framework

Based on the review of previous related studies, brand experience, customer satisfaction and brand loyalty are interrelated in a variety of complex way. Brand experience, comprising the sensory, emotional, behavioural and intellectual responses to brand related stimuli, influence customer satisfaction (the extent to which customer are pleased with the product or service). Both brand experience and customer satisfaction impact brand loyalty, which encompasses the likelihood of repurchasing the same brand, willingness to tolerate higher prices or inconvenience
to obtain the brand and motivation to recommend the brand to others. Therefore, two hypothesis and conceptual model are developed as below:

**H1:** Brand experience has a positive effect on customer satisfaction

**H2:** Brand experience and customer satisfaction has a positive effect on brand loyalty

**FIGURE 8 FRAMEWORK OF THE RESEARCH**
CHAPTER THREE: RESEARCH METHODOLOGY

This methodology chapter discusses methods used to construct the research. The information related research approach and research strategy are provided in the first two sections. Then how data collected, who are the samples of this research and how the data will be analyzed are subsequently enlightened.

3.1 RESEARCH APPROACH

According to (Trochim, 2006), inductive reasoning involves using specific observations to generate theories or broader generalizations. It tends to be an exploratory, open-ended process that is more inclined to invoke new questions than to provide precise, quantifiable answers to existing ones. Deductive reasoning, by contrast, starts with the review of related theories. The researcher using deductive reasoning begins with a theory about the topic of interest, narrows the focus down to formulate a more specific and testable hypotheses, narrows the field still further by collecting observations related to the hypothesis and finally gathers data that can confirm or disconfirm the original theory.

The study will adopt a deductive approach because it involves the collection of primary data and supplementary secondary research to test two hypotheses regarding the relationships among three variables: brand experience, customer satisfaction, and brand loyalty. These variables were chosen based on an extensive literature review encompassing past research and expert observations in the field. Therefore, this methodology represents a progression from a general search to a theoretical position and finally the collection of data designed to test several hypotheses. A deductive approach was deemed most suitable for this study because the goal is to provide definitive answers to specific research questions rather than to generate new theories or conduct exploratory research.

This study will employ a quantitative research strategy. Quantitative research generates a numerical representation of a particular phenomenon. It is an empirical research method that provides a quantifiable description of the way something is in the real world (Sukamolson & (n.d.)).

Quantitative research has a number of advantages, as well as a few limitations. According to (Sukamolson & (n.d.)), it can quantify attitudes, opinions, and behaviors, which makes it very useful for social research. It can be used to test hypotheses, provide specific answers in the form of numerical summaries for analysis and statistical comparison, identify trends, measure occurrences and explain the certain phenomenon in an objective manner. Ultimately, it is a more precise, standardized and definitive approach than qualitative research. However, (Sukamolson & (n.d.)) notes that it is not particularly useful for exploring a topic in depth or generating new
theories. It is often possible to conduct a more meaningful analysis using qualitative methods because the quantitative approach is too shallow for more comprehensive exploration.

There are four commonly used quantitative research methods: survey research, correlational research, experimental research and causal-comparative research (Sukamolson & (n.d.)). This study will use a survey-style questionnaire to collect data. This method was chosen for a number of reasons. It is a popular and effective method that is used by the majority of other researchers in the field and it is inexpensive and easy to undertake. Using this approach enables a research to be conducted that might otherwise be impossible due to cost and logistical constraints.

3.2 DATA COLLECTION

Types of data

This research will make use of both primary and secondary data. Primary data is information that comes directly from the source. It can be obtained from a questionnaire, letter, diary or another first-person source. Secondary data is information that comes from secondary sources, typically peer-reviewed journal articles, textbooks, news stories and other media in which the purveyors of the information often provide interpretation or even analysis as well (Library and Archives Canada, 2010).

This study will derive its primary data from a questionnaire designed to gather information regarding brand loyalty among coffee drinkers in Mongolia, with a particular focus on the popular Tom N Toms coffee chain. Secondary data regarding brand loyalty, brand experience, customer satisfaction and the Mongolian coffee shop market will be drawn for peer-reviewed journal articles, books, and other respected sources. The primary data will provide direct information regarding consumer opinion in a form that allows for the quantification of subjective opinion. The secondary data will provide a context in the form of prior research findings, established theories and expert analysis of factors affecting brand loyalty, brand experience, and customer satisfaction. Secondary data is freely available and easy to collect, so it enables a more comprehensive analysis of the phenomenon of interest. Both forms of data are essential to this research because the primary data directly answer the research questions, while the secondary data enables the results to be analyzed within the framework of accepted theories and facilitates comparison with prior research findings.

Questionnaire designed to record and quantify subjective perceptions are often used to measure brand experience, along with overall brand loyalty researchers typically use Likert scale that provide a numeric range covering strong agreement through strong disagreement with
statements designed to gauge consumers, subjective impressions of the brand and brand-related stimuli (Brakus, Schmitt, & Zarantonello, 2009) (Choi, Ok, & Hyon, 2011) (Mohammad A., 2012). A 5 point Likert scale questionnaire will be used to measure the impact between variables. This technique is typically used to quantify subjective opinions about brand loyalty, as in the research of (Brakus, Schmitt, & Zarantonello, 2009); (Choi, Ok, & Hyon, 2011) and many others. Therefore, it is considered reliable for this research.

This study will use a self-administrative questionnaire to gather primary data. This is a commonly used measurement instrument for studies of brand loyalty, brand experience, and customer satisfaction. Prior researchers in the field such as (Brakus, Schmitt, & Zarantonello, 2009), (Choi, Ok, & Hyon, 2011) and others have used similar instruments.

Self-report instruments have a number of benefits and limitations. Using a questionnaire is a cost-effective and straightforward way to collect primary data and convert it into useful quantitative information. A questionnaire is a flexible measurement instrument that can easily be administered to a relatively large sample of people. The questionnaire can also be coded rather than using the names of subjects to ensure privacy and important aspect of research ethics. (Olsen, 2008).

Moreover, a set of question used in the survey that relates to brand experience, customer satisfaction, and brand loyalty is directly adopted from the study by (Choi, Ok, & Hyon, 2011). These researchers previously investigated a similar subject with the present study and their questionnaire was already validated using confirmatory factor analysis. Like most other researchers in the field, (Choi, Ok, & Hyon, 2011) used a Likert scale self-report instrument to collect their data. Questions were designed to gather information based on each of the brand experience dimensions. The table below summarizes the questionnaire scale and measurement.

<table>
<thead>
<tr>
<th>TABLE 1 QUESTIONNAIRE SCALE AND MEASUREMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Variables</td>
</tr>
<tr>
<td>Brand experience</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>
induces feeling and sentiments (Hyon, 2011)
2. This coffeehouse brand is an emotional brand.

**Behavioral**
1. This coffeehouse brand results in bodily experience.
2. This coffeehouse brand is action oriented.

1. I engage in a lot of thinking when I encounter this coffeehouse brand.
2. This coffeehouse brand makes me think.

1. I am satisfied with my decision to buy coffee at this coffeehouse brand.
2. I have truly enjoyed this coffeehouse brand.
3. I feel good about my decision to buy coffee at this coffeehouse brand.
4. Using this coffeehouse brand has been a good experience.

1. I would recommend this coffeehouse brand to friends and relatives.
2. I intend to keep buying coffee at this coffeehouse brand.
3. If I need coffee, this coffeehouse brand would be my preferred choice.
4. I intend to encourage other people to buy coffee from this coffeehouse brand.

**Customer Satisfaction**

**Brand Loyalty**

**Reliability Test of the Questionnaire**

According to (Trochim, 2006), when a research instrument produces consistent outcomes, either on test and retest of the same person, among multiple raters or internally (items designed to measure the same construct generate similar results), it is said to be reliable. Cronbach’s alpha, a commonly used measure of internal consistency for questionnaire items, will be used to test the reliability of the research instrument for this study. A Cronbach’s alpha value for the research
instrument will be generated using SPSS software. The reliable questionnaire should indicate **Cronbach’s alpha value of 0.8** (Hill & Lewicki, 2006). This will be an acceptable value for the questionnaire survey of this research. Moreover, 30 sets of the questionnaire will be distributed in the Ulaanbaatar city area in order to test the reliability of the question.

### 3.3 DATA ANALYSIS

Data analysis for this study will be conducted using SPSS (Statistical Package for the Social Science) software. The analysis will use descriptive statistics such as mean, frequency, percentage and standard deviation, as well as inferential statistics to facilitate meaningful analysis.

Descriptive statistics, which simply describe a phenomenon of interest, are regularly used in quantitative research because they convert large amounts of numeric data into useful summaries that enable them to be compared with other measures as required. Essentially, they provide a base from which more meaningful analysis can be undertaken (Trochim, 2006).

Components factor analysis with varimax rotation and Reliability test will be used to canvass the collected data to purify the measurement scales and to identify their dimensionality and to confirm the reliability of each research factors.

1. **Factor Analysis**
   
   The aim of this analyze is the underlying variance structure of a set of correlation coefficients for summarizing data and exploratory or confirmatory purpose. In this study, measurement items with factor loadings greater than 0.6 will be selected as the member of a specific factor. Besides, Eigenvalue with above that 1 and Explained variance (accumulative) is bigger than 60 percent will be accepted as a factor of its variable.

2. **Reliability test**

   Item-to-total correlation estimates the correlation of each item to the sum of the remaining items within one factor. Items with correlation lower than 0.5 will be deleted. Cronbach’s alpha (α) will be engaged to test the internal consistency of each factor. Factors with α are greater than 0.6 are assumed that they have high reliability.

### Multiple Regressions

Multiple regressions analysis will be used to analyze the relationships between a single dependent variable and several independent variables to understand the relationships between all the variables and to test moderator roles in this study. Following criteria are used in the regression analysis.
1. $R \text{ square} > 0.1$
2. $\beta \neq 0; t > 1.96$
3. Correlation among independent variables
   - $R \text{ square and Adj- } R \text{ square} < 0.5$
   - $F \text{ value} > 4; p\text{-value is significant}$

VIF $\leq 3$ (Variance Inflation factor)
CHAPTER FOUR: RESEARCH FINDINGS

4.1 PILOT TEST

The pilot test of the questionnaire was undertaken to ensure that the scales were appropriate and were strong enough based on the Cronbach’s alpha score to be significant. The pilot test was conducted with the first 30 questionnaires that were collected. Using (Hill & Lewicki, 2006) criteria, a minimum Cronbach’s alpha score of 0.8 or higher was targeted for the reliability of the scales. The table below shows a summary of the scales and Cronbach’s alpha coefficients derived from the pilot test. This shows two independent variable scales (BE and CS), as well as the dependent variable scale (BL). There were 9 items included in the BE scale, while 4 items each were included in CS and BL. All three of scales reached an appropriate level of reliability without elimination of any items. Of these CS (α = 0.913) was the weakest scale, while BL (α = 0.94) was the strongest scale.

<table>
<thead>
<tr>
<th>Scale</th>
<th>Number of items</th>
<th>Cronbach’s Alpha Coefficient</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brand Experience</td>
<td>9</td>
<td>0.928</td>
</tr>
<tr>
<td>• Sensory</td>
<td>3</td>
<td>0.832</td>
</tr>
<tr>
<td>• Affective</td>
<td>2</td>
<td>0.821</td>
</tr>
<tr>
<td>• Behavior</td>
<td>2</td>
<td>0.745</td>
</tr>
<tr>
<td>• Intellectual</td>
<td>2</td>
<td>0.955</td>
</tr>
<tr>
<td>Customer Satisfaction</td>
<td>4</td>
<td>0.913</td>
</tr>
<tr>
<td>Brand Loyalty</td>
<td>4</td>
<td>0.940</td>
</tr>
</tbody>
</table>

4.2 DESCRIPTIVE RESULT

Descriptive statistics were calculated based on a sample of n = 242. This section provides insight into the descriptive questionnaire and its outcomes. Results are presented as a combination of tables, graphs, and textual description.

4.2.1 Demographic Profiles

The first type of data collected was demographic data from the respondents, this information is presented in Table 4. As can be seen, the majority of respondents were female (65.3%), and most common age group was 20-39 years old (87.6%). Monthly income was most
commonly lower than 700000₮ (37.2%) (1 USD = 2,457.26 MNT). Students (43%) and Office workers (19%) were the most frequent occupation in the response group.

TABLE 3 DEMOGRAPHIC INFORMATION

<table>
<thead>
<tr>
<th>Detail</th>
<th>Frequency (n = 242)</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>84</td>
<td>34.7</td>
</tr>
<tr>
<td>Female</td>
<td>158</td>
<td>65.3</td>
</tr>
<tr>
<td>Age</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less than 20 years old</td>
<td>18</td>
<td>7.4</td>
</tr>
<tr>
<td>20-39 years old</td>
<td>212</td>
<td>87.6</td>
</tr>
<tr>
<td>40-60 years old</td>
<td>10</td>
<td>4.1</td>
</tr>
<tr>
<td>More than 60 years old</td>
<td>2</td>
<td>0.8</td>
</tr>
<tr>
<td>Monthly income (1 USD = 2,457.26 MNT).</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lower than 700000</td>
<td>90</td>
<td>37.2</td>
</tr>
<tr>
<td>700000-1200000</td>
<td>72</td>
<td>29.8</td>
</tr>
<tr>
<td>1200000-2000000</td>
<td>54</td>
<td>22.3</td>
</tr>
<tr>
<td>More than 2000000</td>
<td>26</td>
<td>10.7</td>
</tr>
<tr>
<td>Occupation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Student</td>
<td>104</td>
<td>43</td>
</tr>
<tr>
<td>Office worker</td>
<td>46</td>
<td>19</td>
</tr>
<tr>
<td>Government agency</td>
<td>22</td>
<td>9.1</td>
</tr>
<tr>
<td>Business owner</td>
<td>44</td>
<td>18.2</td>
</tr>
<tr>
<td>Unemployed</td>
<td>14</td>
<td>5.8</td>
</tr>
<tr>
<td>Others</td>
<td>12</td>
<td>5</td>
</tr>
</tbody>
</table>

4.2.2 Consumer behaviors at Tom N Toms Coffee

The second group of questions based on consumer behaviors at Tom N Toms Coffee in Mongolia (Shown in Table 5 through 8). Most participants (60.3%) purchased Tom N Toms Coffee less than two times a week, while 15.3% of respondents purchased it two to four times per week. Only 9.1% purchased is more than five times a week (which could be considered a daily basis). This suggests that consumer view the product as an occasional treat, rather than part of the daily routine and that it is not a regular visit for most of them.
The next question is about the favorite drinks of visitors. The Café latte was the most popular drink (38.4%), followed by Americano (29.3%), Cappuccino (15.7%), and Espresso (8.3%). (Table 6)

Most consumer (65.3%) purchase only coffee at Tom N Toms Coffee, while only 34.7% routinely purchase other drinks like tea, yogurt or juice. (Table 7)

Most consumer (81.4%) are also most interested in purchasing coffee for immediate consumption, as only 18.6% indicated that they purchase Tom N Toms Coffee beans or other products for preparation at home. (Table 8)
TABLE 7 PURCHASE COFFEE BEAN AT TOM N TOMS COFFEE FOR DRINKING AT HOME

<table>
<thead>
<tr>
<th>Detail</th>
<th>Frequency (n = 242)</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>45</td>
<td>18.6</td>
</tr>
<tr>
<td>No</td>
<td>197</td>
<td>81.4</td>
</tr>
</tbody>
</table>

The final question in this section was an open-ended question about the reasons for purchasing Tom N Toms Coffee products. There were a variety of responses to this question, which highlighted a number of aspects of the Tom N Toms Coffee brand. The most frequently cited reasons for purchasing Tom N Toms Coffee included:

- The Taste and smell of the coffee with good quality (which are the main sensory characteristics)
- Proximity to workplaces, schools, and homes cited as a reason that chose Tom N Toms Coffee
- Comfortable environment with smoking room

4.2.3 Brand Experience, Customer Satisfaction, and Brand Loyalty

The final section of the descriptive analysis is the mean characteristics for each of the scales (BE, CS and BL). As previously noted, each of these sections is made up of Likert-scale questions (ranging from 4 questions for CS and BL to 9 questions for BE). The interpretation of these questions is based on the formulation below:

\[
\text{The width of each level } = \frac{\text{Highest score} - \text{Lowest score}}{\text{The number of levels}} = \frac{5-1}{5} = 0.8
\]

The average of 1.00-1.79 means the very low level of agreement

The average of 1.80-2.59 means a low level of agreement

The average of 2.60-3.39 means a moderate level of agreement

The average of 3.40-4.19 means a high level of agreement

The average of 4.20-5.00 means the very high level of agreement (Guven, 2009)

Brand Experience

The first section of descriptive Likert attitudes is based on brand experience. This was the most complex section because it comprises four different aspects of experience including
sensory, affective, behavioral, and intellectual. Each of these four aspects of experience is summarized in Table 9, including mean, standard deviation, and interpretation of the finding.

The Intellectual aspect of BE was the weakest overall (M=3.38, SD=1.26). The second weakest aspect of the BE was the sensory aspect (M=3.39, SD=1.05).

The Strongest aspects of BE included affective and behavioral aspects of the brand. The behavioral subscale was the strongest (M=3.762, SD=0.99), especially with customers agreeing that “the coffee house brand results in bodily experience”. The second strongest aspect was the Affective (M=3.758, SD=1.02), especially with particularly high agreement that “This coffeehouse brand is an emotional brand”.

**TABLE 8 MEAN VALUE OF BRAND EXPERIENCE**

<table>
<thead>
<tr>
<th>No</th>
<th>Brand Experience</th>
<th>Mean</th>
<th>S.D.</th>
<th>Interpretation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sensory</td>
<td>2.1 This coffeehouse brand makes a strong impression on my visual sense or other sense</td>
<td>3.39</td>
<td>1.05</td>
<td>Moderate</td>
</tr>
<tr>
<td></td>
<td>2.2 I find this coffeehouse brand interesting in a sensory way</td>
<td>3.36</td>
<td>1.18</td>
<td>Moderate</td>
</tr>
<tr>
<td></td>
<td>2.3 This coffeehouse brand appeals to my senses.</td>
<td>3.58</td>
<td>1.10</td>
<td>High level</td>
</tr>
<tr>
<td>Affective</td>
<td>2.4 This coffeehouse brand induces feeling and sentiments</td>
<td>3.758</td>
<td>1.02</td>
<td>High level</td>
</tr>
<tr>
<td></td>
<td>2.5 This coffeehouse brand is an emotional brand.</td>
<td>3.87</td>
<td>1.13</td>
<td>High level</td>
</tr>
<tr>
<td>Behavioral</td>
<td>2.6 This coffeehouse brand results in bodily experience.</td>
<td>3.762</td>
<td>0.99</td>
<td>High level</td>
</tr>
<tr>
<td></td>
<td>2.7 This coffeehouse brand is action oriented.</td>
<td>3.425</td>
<td>1.16</td>
<td>High level</td>
</tr>
<tr>
<td>Intellectual</td>
<td>2.8 I engage in a lot of thinking when I encounter this coffeehouse brand.</td>
<td>3.38</td>
<td>1.26</td>
<td>High level</td>
</tr>
<tr>
<td></td>
<td>2.9 This coffeehouse brand makes me think.</td>
<td>3.31</td>
<td>1.29</td>
<td>Moderate</td>
</tr>
<tr>
<td>Overall</td>
<td></td>
<td>3.539</td>
<td>0.95</td>
<td>High level</td>
</tr>
</tbody>
</table>

**Customer satisfaction**

The second aspect of customer experience at Tom N Toms Coffee that was measured was customer satisfaction (item 2.10 through 2.13). The mean, standard deviation, and mean
interpretation of this aspect of consumer experience for each item is shown Table 10 below. This shows that the customer satisfaction rating for Tom N Toms is considerably higher than the brand experience rating. The highest ranked question included “I feel good about my decision to buy coffee at this coffeehouse brand.” (M=3.89, SD=1.05). All item in this section ranked as high agreement, though none tipped into the strong agreement. The overall mean value of the customer satisfaction scale (M=3.72, SD=1.01) suggests that customers have a high level of customer satisfaction associated with Tom N Toms Coffee. It is clearly customers are generally satisfied with this brand.

**TABLE 9 MEAN VALUE OF CUSTOMER SATISFACTION**

<table>
<thead>
<tr>
<th>No</th>
<th>Customer Satisfaction</th>
<th>Mean</th>
<th>S.D.</th>
<th>Mean Interpretation</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.10</td>
<td>I am satisfied with my decision to buy coffee at this coffeehouse brand.</td>
<td>3.85</td>
<td>1.16</td>
<td>High level</td>
</tr>
<tr>
<td>2.11</td>
<td>I have truly enjoyed this coffeehouse brand.</td>
<td>3.58</td>
<td>1.13</td>
<td>High level</td>
</tr>
<tr>
<td>2.12</td>
<td>I feel good about my decision to buy coffee at this coffeehouse brand.</td>
<td>3.89</td>
<td>1.05</td>
<td>High level</td>
</tr>
<tr>
<td>2.13</td>
<td>Using this coffeehouse brand has been a good experience.</td>
<td>3.55</td>
<td>1.17</td>
<td>High level</td>
</tr>
<tr>
<td></td>
<td><strong>Overall</strong></td>
<td><strong>3.72</strong></td>
<td><strong>1.01</strong></td>
<td>High level</td>
</tr>
</tbody>
</table>

**Brand loyalty**

The final group of items to brand loyalty, the outcome variable (items 2.14 through 2.17). The overall interpretation of this scale was neutral. The highest ranked question included “I intend to keep buying coffee at this coffeehouse brand” (M=3.5, SD=1.29).
TABLE 10 MEAN VALUE OF BRAND LOYALTY

<table>
<thead>
<tr>
<th>No</th>
<th>Brand Loyalty</th>
<th>Mean</th>
<th>S.D.</th>
<th>Interpretation</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.14</td>
<td>I would recommend this coffeehouse brand to friends and relatives.</td>
<td>3.42</td>
<td>1.25</td>
<td>High level</td>
</tr>
<tr>
<td>2.15</td>
<td>I intend to keep buying coffee at this coffeehouse brand</td>
<td>3.5</td>
<td>1.29</td>
<td>High level</td>
</tr>
<tr>
<td>2.16</td>
<td>If I need coffee, this coffeehouse brand would be my preferred choice.</td>
<td>3.36</td>
<td>1.23</td>
<td>Moderate</td>
</tr>
<tr>
<td>2.17</td>
<td>I intend to encourage other people to buy coffee from this coffeehouse brand.</td>
<td>3.22</td>
<td>1.31</td>
<td>Moderate</td>
</tr>
<tr>
<td></td>
<td><strong>Overall</strong></td>
<td><strong>3.37</strong></td>
<td><strong>1.17</strong></td>
<td>Moderate</td>
</tr>
</tbody>
</table>

4.3 FACTOR ANALYSIS AND RELIABILITY TEST

Factor analysis and Reliability test are conducted in this study for verifying the dimensionality and reliability of the variables. Factor analysis is initially used to choose the items with higher factor loading and then to compare with the theoretically suggested items for examining the staple structure of the data. After factor analysis, reliability test is organized to furnish the internal consistency measurement to each variable as well as it patronizes the multicollinearity among variables besides Cronbach’s alpha asserts the internal consistency of each construct. There are a total of 17 items in three constructs including Brand Experience (9 items), Customer Satisfaction (4 items) and Brand Loyalty (4 items).

4.3.1 Brand Experience

Table 12 shows the questionnaire items and the results of factor analysis and reliability test with detail explanation. Totally 9 items constitute the Brand Experience level. Factor loading score of all items is higher than 0.65. Hence no item is deleted in the factor analysis. Eigenvalue indicates 5.8 out of 9 items, as well as those items, explain its construct within 64.45% of Accumulative Explanation. Moreover, the Cronbach’s α=0.93 is above than 0.7 and representing a high internal consistency to the construct.
### TABLE 11 FACTOR ANALYSIS AND RELIABILITY TEST FOR BRAND EXPERIENCE

<table>
<thead>
<tr>
<th>Construct/Items</th>
<th>Factor Loading</th>
<th>Eigenvalue</th>
<th>Accumulative Explanation %</th>
<th>Item to total correlation</th>
<th>Cronbach’s alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brand Experience</td>
<td>5.8</td>
<td>64.45</td>
<td></td>
<td></td>
<td>0.93</td>
</tr>
<tr>
<td>This coffeehouse brand makes a strong impression on my visual sense or other sense</td>
<td>0.886</td>
<td>0.582</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I find this coffeehouse brand interesting in a sensory way</td>
<td>0.874</td>
<td>0.635</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>This coffeehouse brand appeals to my senses.</td>
<td>0.852</td>
<td>0.828</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>This coffeehouse brand induces feeling and sentiments</td>
<td>0.818</td>
<td>0.841</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>This coffeehouse brand is an emotional brand.</td>
<td>0.817</td>
<td>0.706</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>This coffeehouse brand results in bodily experience.</td>
<td>0.811</td>
<td>0.743</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>This coffeehouse brand is action oriented.</td>
<td>0.781</td>
<td>0.808</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I engage in a lot of thinking when I encounter this coffeehouse brand.</td>
<td>0.705</td>
<td>0.762</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>This coffeehouse brand makes me think.</strong></td>
<td>0.651</td>
<td>0.759</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### 4.3.2 Customer Satisfaction

Table 13 shows the questionnaire items and the results of factor analysis and reliability test with detail explanation. Totally 4 items constitute Customer Satisfaction level. Factor loading score of all items is higher than 0.86. Hence no item is deleted in the factor analysis. Eigenvalue indicates 3.18 out of 4 items, as well as those items, explain its construct within 79.5% of Accumulative Explanation. Moreover, the Cronbach’s $\alpha=0.913$ is above than 0.7 and representing a high internal consistency to the construct.
TABLE 12 FACTOR ANALYSIS AND RELIABILITY TEST FOR CUSTOMER SATISFACTION

<table>
<thead>
<tr>
<th>Construct/Items</th>
<th>Factor Loading</th>
<th>Eigenvalue</th>
<th>Accumulative Explanation %</th>
<th>Item to total correlation</th>
<th>Cronbach’s alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Customer Satisfaction</strong></td>
<td>3.18</td>
<td>79.5</td>
<td></td>
<td></td>
<td>0.913</td>
</tr>
<tr>
<td>I am satisfied with my decision to</td>
<td>0.95</td>
<td></td>
<td></td>
<td>0.900</td>
<td></td>
</tr>
<tr>
<td>buy coffee at this coffeehouse brand.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I have truly enjoyed this</td>
<td>0.883</td>
<td></td>
<td></td>
<td>0.788</td>
<td></td>
</tr>
<tr>
<td>coffeehouse brand.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I feel good about my decision to</td>
<td>0.870</td>
<td></td>
<td></td>
<td>0.769</td>
<td></td>
</tr>
<tr>
<td>buy coffee at this coffeehouse brand.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Using this coffeehouse brand has</td>
<td>0.861</td>
<td></td>
<td></td>
<td>0.758</td>
<td></td>
</tr>
<tr>
<td>been a good experience.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

4.3.3 Brand loyalty

Table 14 shows the questionnaire items and the results of factor analysis and reliability test with detail explanation. Totally 4 items constitute Brand Loyalty level. Factor loading score of all items is higher than 0.9. Hence no item is deleted in the factor analysis. Eigenvalue indicates 3.391 out of 4 items, as well as those items, explain its construct within 84.783% of Accumulative Explanation. Moreover, the Cronbach’s α=0.94 is above than 0.7 and representing a high internal consistency to the construct.

TABLE 13 FACTOR ANALYSIS AND RELIABILITY TEST FOR BRAND LOYALTY

<table>
<thead>
<tr>
<th>Construct/Items</th>
<th>Factor Loading</th>
<th>Eigenvalue</th>
<th>Accumulative Explanation %</th>
<th>Item to total correlation</th>
<th>Cronbach’s alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Brand Loyalty</strong></td>
<td>3.391</td>
<td>84.783</td>
<td></td>
<td></td>
<td>0.94</td>
</tr>
<tr>
<td>I would recommend this</td>
<td>0.947</td>
<td></td>
<td></td>
<td>0.857</td>
<td></td>
</tr>
<tr>
<td>coffeehouse brand to friends and relatives.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I intend to keep buying coffee</td>
<td>0.921</td>
<td></td>
<td></td>
<td>0.831</td>
<td></td>
</tr>
<tr>
<td>at this coffeehouse brand</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>If I need coffee, this</td>
<td>0.910</td>
<td></td>
<td></td>
<td>0.839</td>
<td></td>
</tr>
<tr>
<td>coffeehouse brand would be</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
my preferred choice. I intend to encourage other people to buy coffee from this coffeehouse brand.

4.4 HYPOTHESIS RESULTS

In this section, the outcomes of hypothesis testing are presented. The two key hypothesis (described in Chapter 2, section 2.5), which included Hypothesis and Conceptual framework). Table 15 and Table 16 describe the outcomes of tests for Hypothesis 1 and 2 respectively.

TABLE 14 REGRESSION RESULT OF CUSTOMER SATISFACTION VS BRAND EXPERIENCE

<table>
<thead>
<tr>
<th>Independent Variable</th>
<th>Dependent Variable—Customer Satisfaction (CS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brand Experience</td>
<td>Beta ($\beta$)</td>
</tr>
<tr>
<td>B=0.933</td>
<td>B=0.401</td>
</tr>
<tr>
<td>BE</td>
<td>0.866***</td>
</tr>
<tr>
<td>R²</td>
<td>0.749</td>
</tr>
<tr>
<td>Adj-R²</td>
<td>0.748</td>
</tr>
<tr>
<td>F-value</td>
<td>705.077</td>
</tr>
<tr>
<td>P-value</td>
<td>0.000</td>
</tr>
<tr>
<td>D-W</td>
<td>1.676</td>
</tr>
<tr>
<td>VIF</td>
<td>1.000</td>
</tr>
</tbody>
</table>

Note: *** p < 0.001, ** p<0.01, * p< 0.5

Table 15 expresses the linear regression coefficient between Brand Experience and Customer Satisfaction which is 0.866 *** and coefficient of Determination is $R^2 = 0.749$ and the adjusted $R^2$ is 0.748, refers that 75% of the variance in customer satisfaction can be predicted from Brand experience. F value is 705.077 (p=0.000). In addition, the Tolerance value is 0.25 (1-$R^2$) together with VIF range is 1 that refers to a situation in which two explanatory variables are highly linearly related. Finally coefficient enables construction of the linear regression equations that can be derived to describe this relationship. The unstandardized regression equation of the relationship between customer satisfaction and brand experience can be defined as follow:

Customer Satisfaction= 0.933(Brand experience) +0.401
This means that for each increase point on the brand experience, the level of customer satisfaction increased by 0.933 points. Hence, **hypothesis 1 is proved**. It can be said that the extent of brand experience with the Tom N Toms Coffee brand influences the customer satisfaction with the brand.

**Hypothesis 2**

The second hypothesis for the research “Brand Experience and Customer Satisfaction has a positive effect on Brand Loyalty”. This analysis was undertaken using multiple linear regression analysis, with BE and CS being the predictor variables and Brand Loyalty being the outcome variable. The results of this analysis shown in Table 16.

**TABLE 15 REGRESSION RESULT OF BRAND LOYALTY VS CUSTOMER SATISFACTION AND BRAND EXPERIENCE**

<table>
<thead>
<tr>
<th>Dependent Variable</th>
<th>Independent Variable</th>
<th>Brand Experience</th>
<th>Customer satisfaction</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Beta (β)</td>
<td>0.618***</td>
<td>0.294***</td>
</tr>
<tr>
<td></td>
<td>B</td>
<td>-0.657</td>
<td></td>
</tr>
<tr>
<td></td>
<td>R²</td>
<td>0.782</td>
<td>0.342</td>
</tr>
<tr>
<td></td>
<td>Adj-R²</td>
<td>0.781</td>
<td></td>
</tr>
<tr>
<td></td>
<td>F-value</td>
<td>422.563</td>
<td></td>
</tr>
<tr>
<td></td>
<td>P-value</td>
<td>0.000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>D-W</td>
<td>1.777</td>
<td></td>
</tr>
<tr>
<td></td>
<td>VIF</td>
<td>1.000</td>
<td></td>
</tr>
</tbody>
</table>

**Note:** *** p < 0.001, ** p<0.01, * p< 0.5

Table 16 expresses the linear regression coefficient between Brand Loyalty, Brand Experience and Customer Satisfaction which is $BE= 0.618***$, $CS=0.294***$, and coefficient of determination is $R^2 = 0.782$ and the adjusted $R^2$ is 0.781, refers that 78.1% of the variance in customer satisfaction and brand experience can be predicted from Brand loyalty. F value is 422.563 (p=0.000). Using the unstandardized coefficient B, a description of the regression line associated with this variable is as follow:

Brand loyalty + 0.775(Brand experience) + 0.342(Customer satisfaction) – 0.657

This means for each increase point on the brand experience and customer satisfaction, the level of brand loyalty increased by 0.775 and 0.294 points respectively.
This shows that brand experience is a stronger influence than customer satisfaction in formation of brand loyalty. Overall, the result of this analysis supports a modest, positive predictive relationship between the two predictor variables (BE and CS) and the outcome variable (BL). Thus, **Hypothesis 2 is proved.**
CHAPTER FIVE: CONCLUSION

5.1 CONCLUSION
The research undertaken to explore the relationship between brand experience, customer satisfaction and brand loyalty in Tom N Toms Coffee in Mongolia. There are three main objectives of this research:

1. To investigate the effect of brand experience, customer satisfaction and brand loyalty at Tom N Toms in Mongolia.
2. To describe the effect of brand experience on customer satisfaction and
3. To describe the effect of brand experience and customer satisfaction on brand loyalty

The objectives undertaken using a questionnaire survey of 242 customers of a single Tom N Toms Coffee outlet in Mongolia, using data collected over a several days. The quantitative survey was first analysed descriptively. This determined that customers appeared to consider Tom N Toms Coffee an occasional treat rather than routine. With most visiting less than twice a week, and that customers preferred coffee house drinks (like café latte, Americano, and cappuccino) and did not routinely purchase other products. The findings suggested that while customer satisfaction and brand experience was strong for Tom N Toms Coffee visitors, Brand loyalty could be best described as Neutral. Reasons for visiting the Tom N Toms Coffee chain included:

- The Taste and smell of the coffee with good quality (which are the main sensory characteristics)
- Proximity to workplaces, schools, and homes cited as a reason that chose Tom N Toms Coffee
- Comfortable environment with smoking room

Objectives 2 and 3 were achieved using linear regression between predictor variables (BE and CS) and the outcome variable (BL). The hypothesis results can be summerized as follows:

- Hypothesis 1: brand experience has a positive effect on customer satisfaction – PROVED
- Hypothesis 2: brand experience and customer satisfaction has a positive effect on brand loyalty – PROVED

The first hypothesis was that brand experience has a positive effect on customer satisfaction. This hypothesis was posed based on the bulk of the research that supported the
positive relationship between brand experience and customer satisfaction (Baig & Khan, 2010); (Choi, Ok, & Hyon, 2011); (Crain, 2010); (Nemati, Khan, & Iftikhar, Impact of innovation on customer satisfaction and brand loyalty: A study of mobile phone users in Pakistan, 2011).

Overall, these findings support the idea that brand experience and customer satisfaction are related, with brand experience having a positive impact on customer satisfaction.

The second hypothesis was based on the body of research that indicated that brand experience and customer satisfaction both had positive effects on brand loyalty, and they are in fact antecedents to brand loyalty (Baig & Khan, 2010); (Brakus, Schmitt, & Zarantonello, 2009); (Choi, Ok, & Hyon, 2011); (Clickfox, 2012); (Crain, 2010); (Kapferer, 2008); (Mohammad A. A., 2012) etc.

The strength of the relationships between BE, CS, and BL are similar to the strength of the relationships found within the literature. In so far as these can be compared directly with $R^2$ values. In this study, relationships included brand experience and customer satisfaction ($R^2=0.749$) and brand experience and customer satisfaction on brand loyalty ($R^2=0.782$). Although, the $R^2$ value is significant in this study, it also suggested that there is high possibility of existence of other variable in predicting customer satisfaction and brand loyalty. Overall, the objectives of the research were effectively accomplished using a combination of literature search and quantitative research. The most important finding was of course that brand experience was important for developing customer satisfaction and brand loyalty.

5.2 RECOMMENDATION

This research enable the researcher to generate a some recommendations for business, especially for use of Tom N Toms Coffee chain store and other companies in Mongolia, that are currently operating in the coffee shop business.

First recommendation is clear and quality and sensory aspects of the coffee, convenience, and price are all key aspects of business competition and coffee shops should focus on these areas as areas for customer improvement. Without this basic aspects of the coffee shop experience, it could be hard for coffee shops to continue compete, particularly larger brands that must be establish multiple presences. Maintaining, these basic competitive advantages (which is low price) will be key to growing coffee shop chains in a period of forceful competition and growth of the industry.

Another suggestion generated by this research is that Tom N Toms Coffee (and perhaps other coffee shop chain) needs to find a way to go improve the brand experience of customer
loyalty. Currently, Tom N Toms is ranks well in customer satisfaction with particularly high rating for its quality of the coffee. Regardless, the brand loyalty descriptive figures suggest that something is still missing to really bring customer to the chain and make them loyal to Tom N Toms Coffee. Concern is that the sensory aspects of the coffee and related products seem to be mediocre or neutral. Recommendation for business is consider the reasons that customer visit the shop. The most cited the visiting Tom N Toms Coffee chain included consistent quality the sensory experience (taste and smell), convenience (proximity to work, school and home) and comfortable environment. Obviously, the Tom N Toms Coffee can use these characteristics to achieve competitive advantage and attract more customers but careful consideration is needed. For example, lower price is positive encouragement to buyers but this should not be done to the chain even more convenience, but in return increase operating cost. The most important factor is balancing the elements that customer find to be important.

Final suggestion of this report for Tom N Toms Coffee chain is to continue building strong brand experience. This can be built with an authentic in-store coffee house experience. Highly quality brewed coffee consistent taste, and convenience. However it should also focus on building a community around the brand and encouraging functional relationship Tom N Toms Coffee has the opportunity to become a global coffee brand if it refines its offering and improves the quality of its service delivery and other aspects of its brand, by continuous development of brand image and brand experience training of stuff to achieve high service quality and product quality.
REFERENCE


52


Хангал. (2016). Монголчуудын кофений хэрэглээ. (Zambaga, Интервьюер)

APPENDIX

QUESTIONNAIRE

Part 1

1.1 Gender
□ Male □ Female

1.2 Age
□ Less than 20 years □ 20-39 years old
□ 40-60 years old □ More than 60 years old

1.3 Monthly income (Mongolian currency tugrug 1USD=2457MNT)
□ Lower than 700000 □ 700000-1200000
□ 1200000-2000000 □ More than 2000000

1.4 Occupation
□ Student □ Office worker
□ Government □ Business owner
□ Unemployed □ Others (Please specify)…

1.5 How often do you purchase Tom N Toms coffee?
□ Less than 2 times per □ 2-4 times per
□ More than 5 times per □ Others (Please specific…)

1.6 What types of coffee do you usually consume at Tom N Toms Coffee?
□ Espresso □ Americano
□ Café Latte □ Cappucino
□ Café Mocha □ Others (Please specific)…

1.7 Do you also purchase other beverages at Tom N Toms Coffee?
□ Yes (Please specific)… □ No

1.8 Do you purchase coffee bean at Tom N Toms coffee for drinking at home as well?
□ Yes (Please specific)… □ No

1.9 What is the reason for purchase products at Tom N Toms Coffee?
<table>
<thead>
<tr>
<th>Item</th>
<th>Statement</th>
<th>Agreement level</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Strongly disagree</td>
</tr>
<tr>
<td></td>
<td>Brand experience</td>
<td></td>
</tr>
<tr>
<td>2.1</td>
<td>This coffeehouse brand makes a strong impression on my visual sense or other sense</td>
<td></td>
</tr>
<tr>
<td>2.2</td>
<td>I find this coffeehouse brand interesting in a sensory way</td>
<td></td>
</tr>
<tr>
<td>2.3</td>
<td>This coffeehouse brand appeals to my senses.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Affective</td>
<td></td>
</tr>
<tr>
<td>2.4</td>
<td>This coffeehouse brand induces feeling and sentiments</td>
<td></td>
</tr>
<tr>
<td>2.5</td>
<td>This coffeehouse brand is an emotional brand.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Behavioral</td>
<td></td>
</tr>
<tr>
<td>2.6</td>
<td>This coffeehouse brand results in bodily experience.</td>
<td></td>
</tr>
<tr>
<td>2.7</td>
<td>This coffeehouse brand is action oriented.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Intellectual</td>
<td></td>
</tr>
<tr>
<td>2.8</td>
<td>I engage in a lot of thinking when I encounter this coffeehouse brand.</td>
<td></td>
</tr>
<tr>
<td>2.9</td>
<td>This coffeehouse brand makes me think.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Customer satisfaction</td>
<td></td>
</tr>
<tr>
<td>2.10</td>
<td>I am satisfied with my decision to buy coffee at this coffeehouse brand.</td>
<td></td>
</tr>
<tr>
<td>2.11</td>
<td>I have truly enjoyed this coffeehouse brand.</td>
<td></td>
</tr>
<tr>
<td>2.12</td>
<td>I feel good about my decision to buy coffee at this coffeehouse brand.</td>
<td></td>
</tr>
<tr>
<td>2.13</td>
<td>Using this coffeehouse brand has been a good experience.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Brand loyalty</td>
<td></td>
</tr>
<tr>
<td>2.14</td>
<td>I would recommend this coffeehouse brand to friends and relatives.</td>
<td></td>
</tr>
<tr>
<td>2.15</td>
<td>I intend to keep buying coffee at this coffeehouse brand</td>
<td></td>
</tr>
<tr>
<td>2.16</td>
<td>If I need coffee, this coffeehouse brand would be my preferred choice.</td>
<td></td>
</tr>
<tr>
<td>2.17</td>
<td>Intend to encourage other people to buy coffee from this coffeehouse brand.</td>
<td></td>
</tr>
</tbody>
</table>