To what extent could Expresszo use customer insights to improve guests’ coffee experience and stimulate positive cash flow during off-season?
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Abstract

This paper was created on behalf of the company Expresszo. Expresszo is a coffee bar that is located in Middelburg offering a coffee experience to its guests. Due to natural and intuitional seasonality, Expresszo experiences impermanent revenues during the off-peak season. The research considered the previous studies on customer satisfaction and its relation to loyalty, coffee experience and product diversification as a theoretical basis and examined to what extent a practical approach of it on the specific case of the coffee bar Expresszo is possible to handle the problem. The research's goal was to provide extended insights into the market of its local guests that build the foundation to make the right decision on how to tackle seasonality by improving guests coffee experience and increasing their level of loyalty. To investigate the possibility for strategy of product diversification, the concept of economy experience and co-creation was used.

The research's design was a mix of descriptive and quantitative explanatory where the data collection was undertaken by a quantitative survey with closed and open questions. With the use of the pivot table the results were analyzed and set into relation to each other in context of the theoretical frame.

The analysis has shown that improving the coffee experience two-dimensional can increase the loyalty of guests during the off-peak season and stabilize the business. Firstly, the management has to target the closing of satisfaction gaps shown in the SERVQUAL. The findings identified two major gaps within the perceived service quality referring to product preparation and complaint management as well as two minor gaps referring to professional coffee knowledge and convenience of opening hours. Secondly, an implementation of passive and co-created events tailored to the preferences of the guests with low or medium conative loyalty will increase the visit frequency of these guests and lead to higher revenues.

The number of words calculated from chapter 1 Introduction till chapter 7 Conclusion is 11896.
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1. Introduction

Since the opening in the heart of the Middelburg, the café Expresszo has been dedicated to provide their customers an authentic and satisfying coffee drinking experience. Locals and tourists have enjoyed sitting in the rustic ambiance with a touch of the 50’s and drinking with heart prepared café latte, cappuccino, flat white or any other specialty of the café. Expresszo has been constantly looking for new ways how the product assortment or service offer can be improved so that they can provide the high quality of coffee drinking experience.

Although Expresszo is operating in the hospitality industry, it is also depending partly on the seasonal fluctuations of the tourism sector. To put in other words of Butler and Mao (1997, in Pegg, Patterson & Gariddo, 2012), the company struggles with impermanent revenues due to natural (e.g. weather, seasons) and institutionalized seasonality (e.g. public and school holidays). Mainly the tourists who are visiting Zeeland for vacation purposes during the summer months cause the impermanence. During the off-season, the café relies mostly on its local regular guests coming mainly from Middelburg. To tackle the revenue decline during the off-season, Martin-Herran, McQuitty & Sigue (2012) suggest to focus on the current customer with the aim to increase their loyalty level. This strategy combines low investment cost with high outcome such as positive reputation, growth and improved profitability.

The goal of this research is to provide Expresszo with extended insights into the market of its local guests to enable the management to take the right decisions in strategy development for improving its coffee experience and increasing cash flow during the off-season.

The research was designed to identify the opportunities in increasing the number of loyal guests and revenues by improves the guests’ overall coffee drinking experience and finding out a product or service that fits within Expresszo’s business concept. Therefore, the research focused on investigating the insights of guests on four dimensions: the current level of perceived satisfaction, their level of loyalty, insights into guests coffee experience and the most desired concept of events. From this conditions, the following main question and from it derived sub questions, has been formulated:

1.1 Main question

To what extent could Expresszo use customer insights to improve guests’ coffee experience and stimulate positive cash flow during off-season?

Sub questions

1) How could the perceived level of service quality be described and how satisfied are the guests?
2) How loyal are the guests?
3) What could be said concerning the coffee experience itself in terms of visiting reasons and times as well as associated emotions?
4) In what kind of added value events are guests interested in the most?
This research considered the previous studies on customer satisfaction and its relation to loyalty, coffee experience and product diversification as a theoretical basis and examined to what extent a practical approach of it on the specific case of the café Expresszo is possible.

To determine the perceived level of service quality and derive the level of satisfaction from it, the measurement tool SERVQUAL was used. Alrousan and Abuamound (2013) have not only shown the SERVQUAL’s ability to identify gaps within customer satisfaction but also have proven that the improved service quality alters the quality perception of customers and leads to higher level of loyalty. As Walter, Mueller and Helfert (n.d.) have proven a higher satisfaction leads consequently to higher commitment to the company resulting in better reputation and increased purchasing behaviour. Within this research, loyalty was defined as ‘deeply held commitment to rebuy or patronize a preferred product/service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts having the potential to cause switching behavior’ and divided into three dimensions 'affective, conative and action loyalty' (Bobalca, Gatej & Coibanu, 2012; p. 624). Furthermore, the insights into guests’ coffee experience such as reason for visiting and drinking coffee as well as emotions were used to provide a foundation for future events with the goal to add value to guests coffee experience and increase cash flow through product diversification.

The demand for added-value events in form of product diversification strategy was examined. The concepts are based on the trend of experience economy that is strongly driven by individual's perception and emotions (Pine & Gilmore, 1998) because the current customer seeks for emotional experiences by receiving sensory perception via a product or service (Pentz & Gerbert, 2013). Thereby, it was determined whether guests are interested in passive events where sensory stimulation occurred or whether the customer wanted to co-create its own experience and step into co-creation with the company. Businesses operating co-creation not only create an entertainment environment that stimulates the senses but also a space enabling a dialogue between the company and consumer leading to collective production of a product or service (Pralahad & Ramaswamy, 2008, in Boswijk, Peelen & Olthof, 2012). Both concepts lead to higher customer satisfaction (Mehmetoglu & Engen, 2011) and satisfaction is directly linked to customer loyalty (Alrousan & Abuamound, 2013).

1.2 Reading guide

This research has been structured in the following way. The next chapter ‘Company Profile’ describes the profile of the company and elaborates more on the problem. In chapter 3 ‘Theoretical Framework’ underlying and supporting data and information of the research subject is collected. In chapter 4 the methodology that have been used during the research are explained followed by chapter 5 that shows the findings the research has delivered. In chapter 6 the results are discussed and related to the data from the theoretical framework. In the final chapter the research will be concluded and recommendations for the company are explained. The sources and appendix 1 can be found at the end of the document. Appendix 2 can be found on the enclosed CD-ROM.
2. Company profile

Name of the company: Expresszo

The owner Ard Flipse founded the coffee bar Expresszo in February 2012 in the city center of Middelburg, in The Netherlands. They operate in the hospitality industry and target the niche market of coffee culture.

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2.1 Target group/market

The company acts in the hospitality market and targets citizens from the Middelburg community and tourists who enjoy drinking qualitatively prepared coffee or tea and eating home made cakes and toasties in a 50's style decorated interior design where guests can socialize, study, read newspaper and just relax.

The interior offers for 26 seats as well as the exterior 14 seats in the low season and 18 seats in the high season. Whereby, the high season is from May till September.

2.2 Marketing mix

Expresszo offers different products for consuming such as hot and warm drinks, cakes and toasties. The Unique Selling Points are the usage of premium quality coffee and its professional barista preparation. The coffee beans are bought from the coffee roaster Single Estate Coffee that pays attention to pesticide-free corps, clean processing methods, ethnical farming practices and minimizing environmental impact. They work closely with the farmers and make sure to establish fair-trading contracts. The company offers coffee beans from around the world. However, Expresszo decided to start with the ones coming from Guatemala known for its rich fruity flavor. To serve the perfect coffee, Expresszo grinds the beans freshly before each espresso and attaches importance to the correct timing and consistency of the espresso. Furthermore, for the preparation of coffee with milk, Expresszo uses unprocessed full milk from the local farm Schellach and steams it manually till max 70 °C to get the smooth milky texture that makes the basis for Latte Art. Additionally, the company offers quality premium tea from India and smoothies made with fresh fruits and juice. In general, Expresszo attaches importance to local products such as apple and pear juice of Appelaere, milk and cheese products from Schellach, strawberries from Groentehal, and homemade cakes and cookies from Zoet in Zeeland. Additionally, it sells art from a local painter. The most popular products are the apple pie and nut cake made by the owner's mother, cappuccino, toasty mozzarella as well as fruit smoothie and ice coffee in the summer.
Expresszo is located on the Pottenmarkt in Middelburg, next to the Grote Markt. Due to the fact that it is small and is situated a bit hidden in the corner, many passing tourists do not recognize it so that the place is more a secret tip among citizens and tourists. Most of the time, new customers appear because somebody has recommended the café to them.

Although, Expresszo provides much higher quality of products and its preparation, the prices do not differ a lot from the competition. However, a perception of higher prices could appear because Expresszo does not offer combination deals with discounts like some other cafes in Middelburg.

To promote its product, Expresszo has a website and uses extensively Facebook and Twitter for its daily changing cakes. In addition, Expresszo advertises its products in the newspaper of Roosevelt Academy called Tabularasa where students get a 10% discount. Additionally, it benefits from the positive reviews from TripAdvisor. All seven reviews rate the café as excellent with full points (Tripadvisor, 2013).

### 2.7 Contemporary situation

Shortly before the research began, Expresszo was selected as the 17th best coffee places of The Netherlands and as the best one in Zeeland (Omroep Zeeland, 2013). The only remark that the assessors had to complain was the low temperature of the coffee. Furthermore, a kitchen has been installed above the shop and the selling of whole apple pies and but cakes for take away purposes was introduces.

#### 2.7.1 External analysis

According to TripAdvisor (2013), there have been reviewed 55 restaurants and 7 cafes in Middelburg whereby Expresszo is ranked as second best of the cafes and third best of all restaurants. Additionally, Expresszo's coffee offer that is prepared by skilled baristas is unique in Middelburg and therefore, the impact of competition should be low.

### 2.9 Problem Statement

Due to the seasonality, Expresszo lacks of stable cash flow during the off-peak season. In the summer, many tourists from Germany, Italy and Spain visit the café. However, when the touristic season is over, Expresszo relies almost only on the loyalty of citizens of Middelburg and its surroundings. The revenues drop rapidly and decrease profitability due to lower amount of visiting guests. As a consequence, the working hours of the employees are automatically declined, since the demand becomes lower. The company had done little so far to tackle the problem. The obstacle was that the management did not have any insights into their market such as perceived service quality, customer satisfaction, their loyalty level, reasons for visiting, desired emotions or preferences of product extension to make the right decision for the future. Therefore, Expresszo wanted to gain an extended insight into their guests’ opinions and behaviors and use this as a base for further actions to improve the guests coffee experience and increase the cash flow during off-peak season.
3. Theoretical Framework

3.1 Seasonality

‘Seasonality is a congenital characteristic of tourism, which consists of temporal and spatial variations of demand during the year’ (Cannas, 2012; p. 52) or as Butler (1994, in Mat Som & Al-Shqiarat, 2013) states that it is a temporal imbalance in the phenomenon of tourism, which has a complex and compounded impact on the overall performance of the tourism industry.

Commons and Page (2001) see these temporal and spatial variations as transitory and seasonal movements that characterize the tourist flows to destinations and regions. They explain that the movements are influenced by the availability of leisure time, holiday entitlements and growth of the leisure society. Therefore, their assumption is that seasonality is intricately linked to tourism. Collier (1994, in Common & Page, 2011; p. 153) refers to the influence of ‘cycle of seasons’ where ‘weather probably [is] the critical factor in the choice of holiday time and/or destination’. Obviously, the most uncompromising constraints that are imposed to climate are outdoor activities. The motivations of the tourists who are seeking relaxation or activities at the beach depend highly on the weather conditions. Therefore, seasonality occurs automatically with weather change. In this manner, Butler and Mao (1997, in Pegg, Patterson & Gariddo, 2012) conclude that a combination of natural and institutional dimensions influence the phenomenon of seasonality in tourism. For this reason, Expresszoo is facing seasonal fluctuations in the course of a year due to public holidays such as Easter, Christmas and Carnival celebration as well as the school breaks in summer and autumn. In total, The Netherlands has fourteen public holiday days (Web-Calendar, 2013) and fourteen weeks of school holidays within a year (Holiday-Info, 2013). However, particularly its number of customers differs due to the ‘weather and seasons of the year’ (Pegg et al., 2012; p. 660). Looking at the case of Expresszoo, it seems to be that mainly the tourists coming from Germany and partly from other provinces of The Netherlands seeking vacation by the sea causing the climate and institutional seasonality. Expresszoo benefits from the attractiveness of Zeeland’s nature and its weather during the summer months and does not attract the tourists intrinsically. Therefore, from the tourist market perspective the business depends on the decisions, trend and seasonality of the regional tourism industry. However, the flows of the other target group, citizens of the community of Middelburg, are more permanent in their visiting behaviour and depend only slightly on the seasonality caused by public and school holidays. Weather does not occur to have an influence on this target group.

So far, the problematic side of seasonality has been determined. However, some researched underline that seasonality can also have a positive impact. Murphy (1985, in Pegg et al., 2012) and Butler (2001, in Pegg et al., 2012) have argued that seasonality might have some benefits for some stakeholders. They have explained that residents and the natural environment might experience rejuvenation before the commencement of the next season. In addition, some suppliers ‘seek a period of recuperation outside the main tourist season because they operate their business for lifestyle reasons’ (Commons & Page, 2001; p. 170). Indeed, the local customers of Expresszoo might prefer time periods without the tourists and might enjoy the higher level of tranquillity in the café. Additionally, Mourdoukoutas (1988, in Pegg et al., 2012) has stated that some seasonal employees prefer to work only during the high-peak seasons because they receive higher payments compared to other employment positions during the same time. Besides that the source might be out-dated, the assumption that Expresszoo’s employees prefer seasonal work due to higher compensation does not correspond with the situation of the company. Neither the workers, who are permanent citizens
of Middelburg or Vlissingen, appreciate the lower amount of working hours during the off-peak season, nor the business is able to pay higher salaries for compensation of the seasonality.

In this perspective, Jang (2004) has underlined that businesses operating in tourism industry struggle with low profitability since the revenues during the off-peak season are much lower, while the fixed costs of the facilities remain the same throughout the year. Consequently, revenues earned during one or two months could result in insufficient capital to cover all year round costs. In this respect, Hudson and Cross (2005, in Pegg et al, 2012) conclude that the main problem of seasonality is an economic one considering the revenues and the difficulty of ensuring efficient utilization of resources such as employees and facilities. Therefore, the main concern of suppliers is to stabilize the revenues by developing a differentiation of strategy approaches of year-round operations to ensure the customer flow.

Due to the fact that the climate and the institutionalized seasonality of tourist flows cannot be changed and Experesszo does not desire to have a tourist flow increase during the high-peak season, the business has to find other solutions for its situation. However, Common and Page (2001) argue that the industry is not powerless and can deal with the effects of seasonality in different ways. Allicock (1989, in Witt, Brooke & Buckley, 1991; 180) suggest 'four principal strategies for managing seasonality: changing the product mix, market diversification, differential pricing and encouragement/facilitation by the state of the staggering of holidays'. To attract new customers by targeting a new market with the market diversification strategy includes much effort and high investment costs for branding and promotion. Also differential pricing might be problematic for Experesszo since it might affect the satisfaction of citizen customers visiting the café all year. Yet, Expresszo has already implemented a price differentiation strategy by offering loyalty cards and student discount. Furthermore, also changing or altering the product mix through product diversification and promotional encouragement in the off-season seem to be applicable. If low investment cost and high outcome are desired, Fruchter und Sigue (2009, in Martin-Herran, McQuitty & Sigue, 2012) suggest to focus on the current customers with the aim to increase their level of loyalty. This strategy combines low investment cost with high outcome such as positive reputation, growth and improved profitability (Martin-Herran, McQuitty & Sigue, 2012). In this respect, a higher number of satisfied and loyal customers not only leads consequently to better reputation but especially to higher revenues, and therefore, stabilizes the business. It will be interesting to look into a product or service development strategy that leads to increased loyalty of the citizens. Since the second target group are citizens not depending much on seasonal fluctuations, Expresszo could put emphasise on increasing the number of these customers by raising customer satisfaction and turn them into loyal customers. However, first insights into customer level of satisfaction and loyalty had to be identified to determine how these two domains can be improved.

### 3.2 Customer satisfaction in relation to loyalty

In Walter, Mueller and Helfert (n.d.), Morgan and Hunt (1994) suggest that higher level of service quality leads to more customer satisfaction, trust and relation commitment whereby Walter, Mueller and Helfert (n.d.) proofed that trust and satisfaction lead to more commitment and loyalty to the particular company. On one hand, some opposing studies have shown that the relationship between customer satisfaction and loyalty is non-linear so that increased satisfaction does not lead directly to higher level of loyalty (Oliva, Oliver & MacMillar, 1992). However, on the other hand, recent studies (Alrousan & Abuamound, 2013) have disproved these results by showing a direct relationship between satisfaction and loyalty in both directions: negative and positive. The researchers have affirmed the linear relationship showing that improved service quality using
SERVQUAL model leads directly to increased satisfaction in form of emotions and that resulting in higher company commitment as repeating purchase behaviour. Their model focuses on five domains of service quality: tangibles, reliability, responsiveness, assurance, and empathy. The domain of the tangibles includes appearance of physical facilities, equipment, delivered products and personnel. Reliability domain investigates the ability to perform the promised service dependably and accurately. The domain responsiveness shows the company's willingness to help customers and provide prompt service. Assurance investigates the knowledge and courtesy of employees and their ability to convey trust and confidence. At the domain of empathy is about caring and individualized attention the firm provides its customer (Alrousan & Abuamound, 2013). By focusing on five domains, the SERVQUAL model enables an integral picture of customers’ perceived satisfaction. The limitation of this study is the absence of an exact definition of the term loyalty and its division. The study does not identify, which dimensions of loyalty are affected by assuming the common understanding of the term. In addition, Bagram and Khan (2012) have shown a significant impact on customer loyalty through customer satisfaction and customer retention. In this case, loyalty is divided into two elements: behaviour and attitude.

Bobalca, Gatej and Coibanu (2012) defined loyalty more extensively. At first, they define loyalty as ‘deeply held commitment to rebuy or patronize a preferred product/service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts having the potential to cause switching behavior’ and then categorize loyalty in three levels; affective, conative and action loyalty (Bobalca et al, 2012; p. 624). Thereby, the researchers take the definitions of Evanschitzky, Wunderlich (2006) and the one of Zeithalm, Berry and Parasuraman (1996): Affective loyalty as ‘emotional general evaluation’, conative loyalty as ‘the behavioral intention of the customer to continue to buy one company’s products both with his commitment to the company and action loyalty as ‘saying positive things about the company to others, recommending the company or service to others, paying a price premium to the company, expressing a preference for a company over others (Bobalca, Gatej & Coibanu, 2012; p. 624). After determining the term loyalty and its direct relationship to satisfaction and service quality, a look should be taken how value can be added to company’s services products.

3.3 Experience economy

According to Pine & Gilmore (1998), a higher stage of economic value is reached by evolving the delivery of services in experiences. Thereby, ‘experience occurs when company intentionally uses services as the stage, and good as props, to engage individual customers in a way that creates a memorable event’ (Pine & Gilmore, 1998, p. 98). It is about creating positive memories by providing experiences of absorption or immersion. Depending on the type of experience, the realms can consist of entertainment, educational, aesthetic or escapist. Pine and Gilmore (1998) have identified five key experience-design principles for developing memorable experience; theme the experience, harmonize impressions with positive cues, eliminate negative cues, mix in memorabilia and engage all five senses. The latest one has also been confirmed in the latest study of Pentz and Gerber (2013) where they have stated that the current consumer seeks for emotional experience by receiving sensory perception via a product. Additionally, Mehmetoglu and Engen (2011) showed the direct relationship between the different realms of experiences and customer satisfaction. However, they underline that not all realms are applicable to each product and company.

By taking a look at coffee, a clear development of economic value can be seen. Pine and Gilmore (1999, in Swinnen, Herck & Vandemoortele, 2012) have analysed the revenue distribution of a cup of coffee through the supply chain. Farmers trading with the basic commodity such as the raw
coffee beans received a price of 1$ per pound, which are one or two cents per cup of coffee. When the beans were packaged and sold more conveniently in a grocery store, the price per cup increased up to 25 cents. When the same coffee was sold in a local café, the price was between 50 cents and 1$. However, by adding a specific experience such as Starbucks Coffee shops have done, the price started to range between 2$ and 5$ per cup. By adding a distinct experience to their product, Starbucks has been able to charge much higher prices for their coffee. Ever since Starbucks’ success in the US as well as internationally has grown, which can be illustrated by its opening in Antwerp two years ago (Swinnen, Herck & Vandemoortele, 2012). Also, they introduced successfully a new flagship store in Amsterdam where Starbucks combines theatre and coffee experience (DearCoffeeel Love You, 2012). Before using the concept of experience economy at Expresszo, at first a deeper understanding of coffee experience should be gathered.

3.4 Coffee experience

Bhumiratana (2010) has developed an emotional lexicon explicit for coffee drinking experience. Her study resulted in 44 different emotional responses to coffee drinking experience. She has discovered two main dimensions: the positive-negative and the high low energy dimensions. The study has also shown that coffee drinkers not only have varying preferences for the coffee and its preparation but also seek for different emotion experiences whereby the desired emotions could be categorized in three main clusters: positive-lower energy feelings (e.g. comfortable, pleasant, warm relaxed, curious), positive-high energy emotions (e.g. active, boosted, energetic, rested, empowering) and focused mental state. These emotional states associated with coffee drinking experience depend highly on the coffee culture that influence the perception and expectations of coffee drinking experience. Tucker (2011) states that culture gives meaning to coffee by infusing it with social and symbolic value (Tucker, 2011). It would be interesting to find out, which emotions the customers of Expresszo are seeking during their coffee experience.

Ferraro (2006, in Tucker, 2001; p. 23) defines culture as ‘everything that humans think, have, and do as members of a society’. ‘Through culture, consuming coffee can affirm identity, express values, or affirm social ties’ (Tucker, 2011; p. 24). General coffee culture is altered most of the time to a particular society of a region such as a country or state but Tucker (2011) emphasizes that a particular coffee culture might be only applicable to one company where coffee culture unite beliefs and special knowledge. She has explained that societies have started seeing coffee as their own because they develop attachments to the ways and places coffee is prepared and served. Back in the 20th century, coffee shops were famous for free social expressions, intellectual discussions and political debates (Angelico, 2007). Meanwhile, their reputation has changed with regard to political purposes. Nevertheless, they have remained their popularity as social meetings places but have also been used for study, relaxation, or take away. Tucker (2011; p. 24) states that they ‘appeal to the human desire for social interactions and connection to others, even if one plans to be alone […] but need company for it. Through coffeehouses, people can sense or imagine the small world nature of society’.

To understand the preferences and desired coffee experience in the province Zeeland, the Dutch coffee culture should be studied. So far, coffee culture and its preferences in The Netherlands have hardly been studied. Consequently, much information about it is based on opinions, general assumptions or personal observations. According to the dutchcommunity.com (2013), coffee has a social significance especially at home and at workplace. It is mentioned that only 30% of Dutch citizens drink coffee outside from home or work and are therefore more used to filter coffee or coffee pads. This is also the reason why they are not really common or knowledgeable with barista skills and qualitative preparation. The most popular coffee consumed with milk is ‘koffie verkeerd’
(meaning literally wrong coffee, made with black coffee and a lot of steamed milk, similar to latte). Furthermore, Oxfam (2011) reported that by 2009 25% of the sold coffee in The Netherlands comes from sustainable resources. That makes The Netherlands to the world leader since the global average has been only 5%. The researchers expect even an expansion to 75% by 2015. Since the Dutch coffee culture is not well studied and coffee culture can only be applicable to one company or community, it will be interesting to find out the specific Expresszo’s coffee culture with its reasons for drinking coffee and preferences for emotion experience. Furthermore, in the next paragraph, a specific type of experience economy strategy will be examined and reviewed as a possibility for Expresszo’s service/product development strategy that have the ability to increase loyalty. The strategy of co-creation has been chosen to be able to create a sense of ‘social interactions and connections to others’ (Tucker, 2011; p. 24) within the Expresszo’s coffee culture.

3.5 Co-creation

To come back to the emotion experience, Prahalad and Ramaswamy (2004) have explained that due to the fact that it became more difficult for companies to differentiate themselves from their competition, managers have started to create value by personalized consumer experiences, whereby the value creation shifts from product- to company-centric view. The aim is to co-create value in collaboration with 'informed, networked, empowered, and active consumers' (Prahalad & Ramaswamy, 2004; p. 5). In co-creation, the market is not seen as a target but represents a 'forum for conversation and interaction between consumer, consumer communities and firms' whereby the building blocks are ‘dialogue, access, transparency, and understanding of risk benefits' (Prahalad & Ramaswamy, 2004; p. 5). Co-creation is open innovation created collectively; the principle is to engage customers to create valuable experiences jointly (Boswijk, Peelen & Olthof, 2012). Thereby, the created value of co-creation for the customer is their engagement experience during the participation as well as the productive and meaningful human experience that result from it (Ramaswamy, 2011). Grissemann and Stokburger-Sauer (2012) found out that the customers are willing to pay more for and attach more value to self-designed/co-created unique experiences. Consequently, this means that co-creation activities lead to higher satisfaction and revenues.

According to Trend Watching (2013), co-creation is booming and represents high potential to in product development. They also mention that customer can be interested in co-creation because of five reasons: status, lifestyle, reward, employment as well as fun and involvement. To get a clear picture, it is necessary to find out why Expresszo’s customers might be interested in co-creation.

One of the companies using a social co-creation strategy to provide unique experience of togetherness and product development is Starbucks. It developed an online community named MyStarbucksIdea where it can interact actively with its consumers. Meanwhile Starbucks receives hundreds of ideas weekly and has already implemented more than twenty ideas effectively in their stores (MyStarbucksIdea.com, 2013). By receiving constant interactions with its customers, Starbucks cannot only launch new products with guaranteed demand but also improve its current assortment. That way, they are enhancing their revenues by increasing customer satisfaction and loyalty and improving that way their reputation, which probably serves in attracting new customers. And at the same time, they also make the business more profitable because of reduced costs for market research and promotion.

Therefore, the strategy of co-creation serves the pre-conditions and the desired outcome of Expresszo. However, before it can be implemented, it should be determined whether an interest for engaging into Expresszo’s coffee experience through co-creation exists.
3.6 Service profit chain

The service-profit chain establishes the relationships between the components discussed above. By referring the theory, it can be assumed that revenue and profit are directly linked to customer loyalty resulting from higher customer satisfaction that is triggered by service quality.

HBR’s Service-Profit Chain

Logically, improved service quality will lead to increased revenues whereby the tools of creating service quality can have different dimensions such as improving the coffee experience by optimizing perceived service quality or engaging customer in a passive entertaining or co-created process of coffee experience. Now it is crucial to determine to what extent this theory would be applicable in case of Expresszo by investigating the insights of Expresszo’s guests and determine its value for the strategies discussed above.
4. Methodology

4.1 Research design

The research is a deductive study where the application of prior developed methodologies from scientific sources was applied in form of a market research. The application and implementation was tailored explicitly on the case of Expresszo. The approach of the study is a mix of descriptive and quantitative explanatory research where quantitative survey will be used to gather the data. A quantitative descriptive and explanatory approach was chosen because the research investigated the extents of pre-determined insights and also because this approach seemed to have a higher potential in gather guests’ insights on a wide range.

4.2 Units of analysis

The low season consists of two periods within a year: from September till beginning of December and from February till May. On average, a number of 500 customers visit Expresszo within a week during off-peak season. That makes 15,000 guests (30 weeks) during the off-peak seasons. With the confidence level of 95% and confidence interval of 10, a sample size of 96 would have been representative. However, working with such a confidence interval always includes some risk of error margin in the analysis. Unfortunately, the management did not allowed to run the survey longer than two weeks to be a higher number of responders and so that increase the confidence interval and level. During these two weeks, 110 responders were reached to meat therefore the validity and reliability within the limitations of the confidence interval and level mentioned above.

By having offered the participation in the research to each customer visiting Expresszo within two weeks, it could be assured that all different type of guests and their wishes were considered in the results. Also, the reason for undertaking the data collection over several days was that it guaranteed that the overall results were not influenced by a particular event or condition such as the weather.

The units of analysis were visitors of Expresszo divided in demographic data such as gender and visit frequency, representing level of conative loyalty. The division was used to see a difference in satisfaction, loyalty, reasons for visiting and drinking coffee, emotions associated with drinking coffee and interest in events. Due to the fact that the results were carried out during a regular week in March, a high percentage of local guests instead of tourists filled out the survey.

Moreover, the specific topics for passive and co-created were defined during a brainstorm session with the management team of Expresszo. The three passive and three active most appealing and realizable one were selected at the end. By including the same amount of passive and active events, it could be assured that the responders’ preference would not be influenced.
4.3 Research instrument

The research instrument was a quantitative survey in form of printed questionnaires. The printed questionnaires were handed out personally during serving the guests. Through personal approach and immediate access to the tool, the non-response rate was very low. To influence the answers of the responders through the personal approach as little as possible, the guests were asked to fill in the survey right at the beginning of their visit and left alone while filling in the survey. The benefit of the personal approach was that direct contact to the respondents could be achieved without getting any personal contact details from the guests. That way, also all guests could be approached and random selection was assured.

The questionnaire consisted of three main parts having closed and open questions. First part examined the perceived service quality and level of customer satisfaction on five dimensions: tangibles, reliability, responsiveness, assurance and empathy. Thereby, the method SERQUAL was used. The SERQUAL model was adapted to a hospitality business where guests expectations towards coffee bars was compared to their perception of the given service quality at Expresszo. The second part of the survey investigated the insights into guests’ coffee experience at Expresszo including the reasons and time for visiting, reasons for drinking coffee and emotions associated with coffee. The third part was focusing to find out the degree of loyalty that was divided in affective, conative and action loyalty. The fourth and last part was focusing to research in what kind of event passive vs. co-created events were customers interested in the most. That way the answers of the research instrument provided an extended insight into guests’ level of satisfaction and loyalty, their coffee drinking experience and desired events.

4.4 Operationalization

<table>
<thead>
<tr>
<th>Construct</th>
<th>Dimension</th>
<th>Indicator</th>
<th>Question/Statement</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Satisfaction</td>
<td>Tangibles</td>
<td>Technical equipment, interior design, appearance of employees, correct temperature of food and drinks, tasty products, high quality of products</td>
<td>1. Expresszo has modern technical equipment.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>2. Expresszo’s interior design is cohesive and cozy.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>3. Expresszo’s waitresses and baristas appear neat and tidy.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>4. Served food and drinks at Expresszo appeal visually.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>5. Served food and drinks at Expresszo have the correct temperature.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>6. Served food and drinks at Expresszo are tasty.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>7. Expresszo’s food and drinks are of high quality.</td>
</tr>
<tr>
<td></td>
<td>Reliability</td>
<td>Prompt and neat service, sincere interest in solving problems, excellent service from the first time, delivery of promised products, insist to improve mistakes</td>
<td>1. Expresszo gives a prompt and neat service.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>2. When you have a problem, Expresszo shows sincere interest in solving it.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>3. Expresszo performs excellent service right from the first time.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>4. Expresszo provides the service and products they promised to their guests.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>5. Expresszo insists to improve their</td>
</tr>
</tbody>
</table>
| Responsiveness | Willingness to help, fast respond to questions and requests | 1. Employees of Expresszo are always willing to help you.  
2. Employees of Expresszo are never too busy to respond to your request. |
|----------------|-------------------------------------------------------------|------------------------------------------------------------------|
| Assurance      | Employee promote comfortable feeling to guests, feeling safe of consuming products, friendly and attentive employees, providing professional knowledge on request | 1. The behavior of Expresszo's employees makes you feel at ease.  
2. You feel safe in consuming the food and drinks at Expresszo.  
3. Employees of Expresszo are consistently friendly and attentive with you.  
4. Employees of Expresszo have the knowledge to answer your questions about their products. |
| Empathy        | Individual attention, convenient opening hours, best interest in mind, welcoming of special request | 1. Employees of Expresszo have time to give you individual attention.  
2. Expresszo's opening hours are convenient to you.  
3. Expresszo has your best interest in heart.  
4. Expresszo welcomes extra wishes for products. |
| 2. Loyalty     | Affective loyalty Willingness to recommendation | Would you recommend Expresszo to friends and family? |
|                | Conative Loyalty Visit frequency | How regularly do you visit Expresszo? |
|                | Action loyalty Given recommendation, participating on social media, bringing friends and family along | Did you recommend Expresszo to somebody in the past?  
Did you tag, share or follow Expresszo on Facebook, Twitter or other social media platforms?  
Have you ever taken friends/family/co-workers to visit Expresszo? |
| 3. Coffee experience | Reason for visiting Appearance Lunch options Coffee Cakes Service Employees | Please tell the reason why you selected Expresszo. |
|                | Reason drinking coffee Taste Energy Relaxation Socializing Concentration | What is the main reason you drink coffee at Expresszo? |
|                | Time of visiting College/School break Work break Leisure time | What is the main time when you visit Expresszo? |
|                | Associated Feeling | What feelings/emotions are you associating with |
### 4. Events

<table>
<thead>
<tr>
<th>emotions</th>
<th>coffee at Expresszo the most?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Comfort/Warmth</td>
<td></td>
</tr>
<tr>
<td>Pleasure/Enjoyment</td>
<td></td>
</tr>
<tr>
<td>Relaxation/Rest</td>
<td></td>
</tr>
<tr>
<td>Boosting/Empowering</td>
<td></td>
</tr>
<tr>
<td>Feeling of togetherness/interconnection</td>
<td></td>
</tr>
<tr>
<td>Focused mental state</td>
<td></td>
</tr>
</tbody>
</table>

#### 4.5 Analysis

After having collected the data, quantitative data analysis were used. The SERQUAL questions were analyzed by identifying the gaps by comparing the expectations against perceptions of each question. The gaps identified the extent of dissatisfaction of each domain. At the beginning of the analysis, the researcher assumed that the SERVQUAL results would be not show any gaps because many guests had a higher perception than expectation and therefore, equalized the negative gaps. Normally, the scores in SERVQUAL should not show any positive results but only the extent of the gaps since a score of 0 represents full satisfaction. Therefore, the researcher was adjusting the survey (seen with the red) by illuminating the over satisfaction. However, this way of manipulation was seen as insufficient later on and the researcher worked with the original scores given by guests. This statement was just given to explain the red marks on the survey. The solution was to compare in Excel the scores of the sum of negative and positive gaps with the sum of the negative gap and the number of guests showing dissatisfaction.
While analyzing the data, a cross-reference comparison with the tool Pivot table was used. Thereby, the level of satisfaction and loyalty, coffee experience, and interest in events were correlated to the demographic unit such as gender and visit frequency. The data used for analysis including spreadsheet of all answers and pivot tables can be found in appendix on the enclosed CD-ROM. The decision was made to enclose all surveys in printed version because it would have consisted of 550 extra pages.

Since the surveys were given out in printed form, it could not be controlled that the guests fill out every question. This is the reason why some questions were not filled in resulting in varying sample n. To give an adequate analysis, all the not given answers were taken out of the cross references and each graph was identified with its correct sample n. Moreover, for the results of questions 3 (reason for visiting Expresszo) and 5 (reasons for drinking coffee) only the first rank was considered since to many guests did not rank their answers correctly.

Furthermore, it was not possible to research all possibilities between the answers and the sub questions because only the manual analysis technique of Excel could be used. Another form of clustering such as SPSS was beyond the scope of this study and the skills of researcher due to the content of given courses. The databases including SERVQUAL results and all Pivot charts can be found in Appendix 2 (CD-ROM).

4.6 Ethics

Questionnaires served the purpose to obtain results to answer the research questions. The questions did not contain any personal and non-relevant information for the research, which could have lead to unsatisfied respondents. The research was conducted in an honest and objective way.

Respondents participated voluntarily in this research and were not forced to participate or answer questions, which were irrelevant. No negative consequences resulted for respondents by being part of the research. Moreover, the full information was given in advance of the purpose of the research and the method that was used. The obtained data has been kept confidential and processed only by the researcher.
5. Results

5.1 Customer perception of service quality – SURQUAL

Within the SERVQUAL model, the domain Empathy received the highest score and Reliability the lowest score comparing customer expectations vs. perception. By taking a look at individual question, question 20, 22 (Empathy) and question 1 (Tangibles) show the highest scores. The domain tangibles having the two lowest scores for the correct temperature and tastiness of products and domain reliability having negative scores for sincere interest in problem solving and delivery of the promised products are the only domains showing negative gaps when negative and positive gaps are considered. The lowest number of guests showing dissatisfaction was for technical equipment, prompt service, willingness to help and individual attention. The highest number of dissatisfied guest went to correct temperature, sincere interest in solving problems and delivery of promised products. By considering only the negative scores, the lowest gaps are shown in prompt service and individual attention whereby the highest gaps correct temperature and interest in problem solving. However, significance in high dissatisfaction is also shown for tastiness of products, delivery of promised products, improving of mistakes, professional knowledge and opening hours.

<table>
<thead>
<tr>
<th>Domain</th>
<th>Statement</th>
<th>Score (-&amp;+)</th>
<th>People (-)</th>
<th>Score (-)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tangibles</td>
<td>1. Expresszo has modern technical equipment.</td>
<td>122</td>
<td>6</td>
<td>-14</td>
</tr>
<tr>
<td></td>
<td>2. Expresszo's interior design is cohesive and cozy.</td>
<td>36</td>
<td>12</td>
<td>-14</td>
</tr>
<tr>
<td></td>
<td>3. Expresszo's waitresses and baristas appear neat and tidy.</td>
<td>26</td>
<td>16</td>
<td>-18</td>
</tr>
<tr>
<td></td>
<td>4. Served food and drinks at Expresszo appeal visually.</td>
<td>30</td>
<td>13</td>
<td>-16</td>
</tr>
<tr>
<td></td>
<td>5. Served food and drinks at Expresszo have the correct temperature.</td>
<td>-34</td>
<td>31</td>
<td>-46</td>
</tr>
<tr>
<td></td>
<td>6. Served food and drinks at Expresszo are tasty.</td>
<td>-19</td>
<td>18</td>
<td>-25</td>
</tr>
<tr>
<td>Score =25</td>
<td>7. Expresszo's food and drinks are of high quality.</td>
<td>14</td>
<td>14</td>
<td>-15</td>
</tr>
<tr>
<td>Reliability</td>
<td>8. Expresszo gives a prompt and neat service.</td>
<td>74</td>
<td>9</td>
<td>-9</td>
</tr>
<tr>
<td></td>
<td>9. When you have a problem, Expresszo shows sincere interest in solving it.</td>
<td>-13</td>
<td>25</td>
<td>-38</td>
</tr>
<tr>
<td></td>
<td>10. Expresszo performs excellent service right from the first time.</td>
<td>22</td>
<td>14</td>
<td>-11</td>
</tr>
<tr>
<td></td>
<td>11. Expresszo provides the service and products they promised to their guests.</td>
<td>-13</td>
<td>21</td>
<td>-26</td>
</tr>
<tr>
<td>Score =16.4</td>
<td>12. Expresszo insists to improve their mistakes right away.</td>
<td>12</td>
<td>20</td>
<td>-23</td>
</tr>
<tr>
<td>Responsive-ness</td>
<td>13. Employees of Expresszo are always willing to help you.</td>
<td>26</td>
<td>9</td>
<td>-10</td>
</tr>
<tr>
<td>Score = 28</td>
<td>14. Employees of Expresszo are never too busy to respond to your request.</td>
<td>30</td>
<td>15</td>
<td>-16</td>
</tr>
<tr>
<td>Assurance</td>
<td>15. The behavior of Expresszo's employees makes you feel at ease.</td>
<td>29</td>
<td>12</td>
<td>-14</td>
</tr>
<tr>
<td></td>
<td>16. You feel safe in consuming the food and drinks at Expresszo.</td>
<td>53</td>
<td>10</td>
<td>-11</td>
</tr>
<tr>
<td></td>
<td>17. Employees of Expresszo are consistently friendly and attentive with you.</td>
<td>19</td>
<td>11</td>
<td>-13</td>
</tr>
<tr>
<td>Score =30.5</td>
<td>18. Employees of Expresszo have the knowledge to answer your questions about their products.</td>
<td>21</td>
<td>17</td>
<td>-21</td>
</tr>
</tbody>
</table>
19. Employees of Expresszo have time to give you individual attention.

20. Expresszo’s opening hours are convenient to you.

21. Expresszo has your best interest in heart.

22. Expresszo welcomes extra wishes for products.

Score = 93.8

<table>
<thead>
<tr>
<th>Empathy</th>
<th>19. Employees of Expresszo have time to give you individual attention.</th>
<th>87</th>
<th>8</th>
<th>-8</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>20. Expresszo’s opening hours are convenient to you.</td>
<td>107</td>
<td>15</td>
<td>-25</td>
</tr>
<tr>
<td></td>
<td>21. Expresszo has your best interest in heart.</td>
<td>46</td>
<td>14</td>
<td>-16</td>
</tr>
<tr>
<td></td>
<td>22. Expresszo welcomes extra wishes for products.</td>
<td>135</td>
<td>10</td>
<td>-12</td>
</tr>
</tbody>
</table>

Table 1: Perceived service quality in 5 domains of the SERVQUAL

By comparing, the level of satisfaction to demographic units, it can be seen that more males are dissatisfied than females. Furthermore, guests who visit Expresszo the first time or monthly (low loyalty) are more satisfied than guests who visit the shop on a weekly (medium loyalty) or daily (high loyalty) basis.
5.2 Loyalty of guests

The results for the levels of loyalty show that the majority of guests are coming weekly (44%) to Expresszo followed by the second group of monthly visitors (24%). The highest loyalty group of daily visitors is only 10%. Furthermore, 100% of guests would recommend Expresszo to another person whereby 76% already did it in the past and 68% have even taken friends and family along. The participation on Expresszo’s social media platforms is undertaken by 29%.

![Chart 5: Loyalty levels translated from visit frequency, Chart 6: Participation in social media of Expresszo, n=109 n=10](image1.png)

![Figure 6: Having recommended Expresszo, n=110](image2.png)

![Figure 7: Taking a person to visit Expresszo, n=110](image3.png)
By comparing the loyalty level to the gender, it can be seen that higher percentage of men visit Expresszo more regularly than female. Interestingly, 80% of the unsatisfied guests have recommended Expresszo in the past and brought a friend/family along to visit the shop.

**Figure 8: Level of conative loyalty vs. Gender, n=107**

**Figure 10: Bringing a friend vs. Satisfaction, n=110**

**Figure 11: Recommendation in the past vs. gender, n=110**
5.3 Insights into guests’ coffee experience

The results for the insight into guests’ coffee experience show that the main reason for visiting Expresszo is coffee (77%) followed by atmosphere (10%). The main visiting time of guests is leisure time. The correlation identifies that higher percentage of female than male come for college break whereby more male than female come for leisure time or work break. Furthermore, while taste for female and male guests have the same importance, more men are interested in relaxation and concentration and more women are interested in socializing than men.

![Pie chart showing reasons for visiting Expresszo](chart10)
![Pie chart showing visiting time](chart11)

*Chart 10: Guests’ reason for visiting Expresszo, n=103  Chart 11: Guests’ main visiting time, n=110*

![Pie chart showing feelings associated with drinking coffee](chart12)

*Chart 12: Feelings associated with drinking coffee at Expresszo, n=103*
When it comes to the feeling associated with drinking coffee at Expresszo, both women and men are ranking feeling comfy and warmth the highest. After that, female second choice is pleasure and enjoyment followed by feeling of togetherness whereby men’s second ranking is relaxation and then pleasure of enjoyment. Additionally, the main reasons for selecting the events were interest (46%) and education (19%).

![Chart 13: Time of visiting vs. Gender, n=103](image1)

![Figure 15: Reason for drinking coffee vs. gender, n=107](image2)

![Chart 14: Feelings vs. Gender, n=107](image3)

![Chart 16: Given reason for choosing the events, n=69](image4)
5.4 Passive vs. active events

By taking a look at the events preferred by the responders, in the first choice Event 5 ‘Coffee learning & Tasting’ (37%) and Event 2 ‘Creating your own Latte Art’ (17%) dominates. In the second choice, the same events are chosen again and have almost equal weight. In the second choice, the passive Event 6 ‘Art gallery’ (21%) and the active Event 4 ‘Board game night’ (15%) take over. Furthermore, 60% of the responders are interested in active participation and 46% of guests would like the events to occur monthly.

**Figure 15:** First rank of preferred events, n=92

**Figure 16:** Second rank of preferred events, n=88

**Figure 17:** Third rank of preferred events, n=81

**Figure 19:** Interest in active participation, n=103
The correlation with gender shows that the most favorite events of women are at first passive Event 5 ‘Coffee Learning and Tasting’, at second active Event 2 ‘Create your own Latte Art’ and at third passive events 1 ‘Thriller night’ and 6 ‘Art gallery. Whereby, men also favorites Event 5 the most, their second choice is Event 4 ‘Board Game Night’ and third as well Event 6. Both genders choose at first place a passive event and at second a co-creation one. However, by asking directly about interest in active participation, women do favor the idea more. Furthermore, guests with high loyalty prefer Event 5 and 1 the most, guests with medium loyalty chose Event 5 and 6 and guests with the lowest loyalty chose Event 5 and 2.
Figure 20: Visit frequency vs. Choice 1 of events, n=107
6. Discussion

After presenting the results of the research, the insights of the market will be analyzed in its value to improve coffee experience and increase cash flow during the off-peak season. Thereby, the sub-questions of perceived service quality and satisfaction, customer levels of loyalty, insights into guests’ coffee experience, and preferences in passive or co-created events will be discussed and set in relation to each other as well as to the theoretical review that have shown significant interrelation between the tools. The aim is to examine to what extent the insights can help to improve coffee experience and to tackle the challenges of seasonality.

6.1 Perceived service quality and satisfaction

Application of the SERVQUAL model has identified several gaps between customer expectation and perception of the product and service delivered. Hereby, the sub questions how the guests perceive the service quality of Expresszo and how satisfied the guests are will be interpreted.

The overall result show that 86% of the guests are fully satisfied showing a positive score in the SERVQUAL. The domains with the highest satisfaction of perceived service quality are empathy and assurance followed closely by responsiveness. Also, a very high score is shown for the interior design from the domain of tangibles and the prompt service from the domain of reliability.

The biggest satisfaction gaps can be identified in the section of tangibles. Although the guests are satisfied with the technical equipment and interior design, this does not apply to food and drinks. The biggest gap represented not only in the domain of tangibles but on the entire SURVQUAL survey, is the dissatisfaction because of products not having the correct temperature. This gap can be related to the dissatisfaction of the taste of products. Since the taste of coffee depends highly on sufficient temperature, it is only logical that the second gap will be related to taste. Since the guests gave a high score on product quality, it can be concluded that the taste dissatisfaction does not relate to the quality of the original ingredients but to the preparation. Interestingly, the investigation has shown that 58% of the customers visit Expresszo because of its coffee and that 65% of the customers drink coffee because of its taste. Since coffee is the main reason, why customers visit Expresszo, they might be more sensitive to variations of this product. Furthermore, the gap in the domain reliability shows dissatisfaction on delivery of products and services that Expresszo promise to their guest. This indicates that the customer’s expectations on drinks and food are much higher than the perception of the delivered product. A possibility to explain this phenomenon is that Expresszo was selected as the 17th best coffee place of The Netherlands and as the best one as in Zeeland. Moreover, the coffee prepared by automatic machines as it is used by most of the cafes and restaurants in Middelburg preheats the milk up to 80°C. However, to ensure the smooth texture of the milk and be able to make latte art, milk at Expresszo will only be preheated max 70°C. These conditions could have causes a misbalance with the expectations and perceptions of guests.

Another negative score received in the reliability domain was the complaint management of the shop. The perceived dissatisfaction is that Expresszo does not show sincere interest in solving a guest’s problem or address his/her dissatisfaction. This can also be confirmed by the slightly smaller gap of insisting upon improving the mistakes. As Alrousan & Abuamound (2013) shows in his research about complaints from guests should be taken seriously because not addressed dissatisfaction of the reliability domain leads to decrease in customer loyalty and consequently to lower revenues.

To have an even better picture of the scores and extent of dissatisfaction, only the negative gaps
satisfaction. This lead that some negative gaps got equalized and were not shown up in the end scores of the SERVQUAL model. By considering only the negative scores, the following could be determined.

Although, the guests’ score for the opening time is one of the highest, the negative gap identifies a partial dissatisfaction from the side of customers. This might be a consequence of the fact that due to financial reasons, Expresszo decided to shorten its opening hours by one hour a day. Furthermore, the second significant scores identified the dissatisfaction with the professional knowledge of the staff to answer questions about products. The eagernessness of learning more about coffee can also be seen in the preference of events. Events best rated were both about coffee learning and preparation. The dissatisfaction cannot only be improved by educating staff about the coffee beans that are used and origin, but also to provide knowledge about coffee for customers in different form such as event. This will be explained later in the discussion.

These findings represent that the perceived service quality is rated very high. However, the SERVQUAL enabled to identify specific gaps and shortage in satisfaction. Since Alrousan and Abuamound (2013) shown a direct relationship between satisfaction of perceived service quality and guests’ attitudes and behavior toward the company, guests’ perception of service quality might be increased by closing these gaps in satisfaction and provide an improved coffee experience for the guests in the coming off-season. However, the measurement model SERVQUAL showed also limitations in its adaptation to hospitality businesses. Although it identifies four domains within the service quality by dividing them in a total of 22 questions, some questions are not specific enough and lack explanation. To give an example, the correct temperature of products and the tastiness of products do not identify which products the guests are actually dissatisfied with. Also, the dissatisfaction of opening hours does not identify which hours the guests prefer. This results in the necessity of assumptions from the management side. A future research for a more specific measurement of service quality specially adapted to hospitality business would represent a high value for the industry in determining the satisfaction of their guests.

6.2 Loyalty

The level of loyalty will be analyzed on three dimensions according to the concept of Bobalca, Gatej and Coibanu (2012). The dimensions investigated in this research are affective, conative and action loyal. The affective loyalty representing the positive attitude towards the company is to the highest. Surprisingly, all of the responders would recommend Expresszo to a third party. The conative loyalty representing the repeated purchasing behavior shows that 83% of guests have visited Expresszo more than once. However, several levels of conative behavior could be identified. It represents a big difference whether the guest visits and purchases at Expresszo weekly or just yearly. This also applies for action loyalty defined as expressing loyalty in further action than only repurchase. Expresszo’s guests expressed action loyalty by recommending the shop in the past (76%), taking friends and family along for a visit (68%) and participating in social media (29%). Whereby, the first two are high that social media participation is very low. Through the inequality of numbers of guests within the same loyalty level, the determination and generalization of this loyalty level appears to be difficult. To be able to correlate the conative loyalty levels to demographic units, the conative loyalty representing the frequency of visits has been selected and divided in first time visits, low loyalty (monthly and yearly visits), medium loyalty (weekly) and high (daily visits). The findings show that men tend to be more conative loyal compared to women. At the same time, a higher percentage of women brought a friend or family along while visiting Expresszo compared to men, showing a higher action loyalty. However, the action loyalty cannot be generalized on women since other indicators of action loyalty do not show the same pattern.
(1994). However, no loyalty dimensions show a direct relationship to perceived service quality. Both groups satisfied and dissatisfied show similar pattern in loyalty. Therefore, it can be argued that not the overall satisfaction of perceived customer loyalty leads directly to loyalty. However, the satisfaction level of Expresszo’s guests is very high (86%) and therefore, does not provide a sufficient margin in results to disprove the theory.

Loyalty seems to be more dimensional than assumed. Further research can be done on researching each level individually and determining levels within each unit of loyalty and their relation to satisfaction. Furthermore, it has been found out that the overall satisfaction of perceived service quality has a direct influence on loyalty. However, it would be interesting to find out to what extent each domain influences which level of loyalty.

### 6.3 Insights into coffee experience

To get an extended insight into guests’ coffee experience, it has been investigated what are the reasons for visiting the shop, drinking coffee at Expresszo and what emotions and feeling guests prefer to have during their coffee experience. As already mentioned to some extent in the first part of the discussion, the findings show clearly that the main reason for guests for visiting Expresszo is coffee and the main reason why they consume coffee at Expresszo is taste. This shows that although Expresszo offers different variety of products, the Expresszo’s main attraction is unmistakably the quality of coffee. Therefore, it could be seen that Expresszo might have been successful in positing itself on the market as provider of coffee culture.

Furthermore, surprisingly, the feelings and emotions do not diverge a lot. The research indicates clearly what the favorite is: feeling comfy/warmness. Pleasure/enjoyment, relaxation/rest and togetherness/interconnection are on the second place. According to Bhumiratana (2010), all first three emotions fall into the category of positive-low emotions. The feeling of togetherness is, however, a positive-high emotion and represents an exception. Therefore, the findings show that guests associate and desire positive-low emotions with integration of feeling of togetherness within their coffee drinking experience. The feeling of togetherness can also be referred to Tucker’s theory (2011) that a coffee culture is derived from the desire for social interactions and connection to others. These insights of feelings can be used to enhance the future events and create a memorable coffee experience a la experience economy.

Additionally, while taste for female and male guests have the same importance, more men are interested in relaxation and concentration and more women are interested in socializing than men. Expresszo can use the knowledge of the desired emotions and consider them within the concepts and implementation of further coffee experience such as events.

### 6.4 Experience economy vs. Co-creation

To find out in what kind of coffee experience customers are interested in, the idea of experience economy in form of passive entertainment and the idea of co-creation in form of events with active participation has been investigated. The results show that customers are the most interested in passive Event 5 ‘Coffee learning and tasting’. The second best choice is the co-created Event 2 ‘Creating your own Latte Heart’. This confirms already the findings discussed above. Customers clearly are interested to extent their experience in coffee. Moreover, 60% of the guests are interested in the idea of active participation and therefore, are favouring the idea of co-creating their experience. Therefore, a clear demand and interest for passive and active events could be determined. Whereby, Trend Watching (2013) identifies reason for co-creation such as status, lifestyle, reward, employment, and fun, the main reason given by Expresszo’s guests for choosing the events were interest in the subject and fun.
This can be linked to the realms of experience economy including education and entertainment (Pine and Gilmore, 1998).

Furthermore, a difference between genders could be determined in preference of events. The most favorite events of women are at first passive Event 5 ‘Coffee Learning and Tasting’, at second active Event 2 ‘Create your own Latte Art’ and at third passive events 1 ‘Thriller night’ and 6 ‘Art gallery. Whereby, men also favorites Event 5 the most, their second choice is Event 4 ‘Board Game Night’ and third as well Event 6. Both genders choose at first place a passive event and at second a co-creation one. However, by asking directly about interest in active participation, women do favor the idea more. Since Event 5 representing a concept of experience economy is highly favored in general, Expresszo can implement the passive events by targeting all guests. However, the co-creation events can be targeted to separate groups such as Event 2 to women and Event 4 to men.

Moreover, whereby, guests with high conative loyalty prefer Event 5 and 1 the most, guests with medium loyalty chose Event 5 and 6 and guests with the lowest loyalty chose Event 5 and 2. By implementing the events of the lowest loyalty, Expresszo can increase the visit frequency of the monthly coming guests and therefore increase their level of conative loyalty.
7. Conclusion

In conclusion, Expresszo can use the insights from its guests to improve its coffee experience and increase cash flow during off-season to the following extent.

According to the profit-chain (Heskett, Jones, Loveman, Sasser Jr. & Schlesinger, 2008), higher revenues are influenced by customer satisfaction resulting in loyalty. By closing the gaps between customers’ expectations and perception, Expresszo can influence the coffee experience directly and increase its guests overall satisfaction. The improved guests satisfaction will increase guests’ loyalty and lead to better reputation and higher revenues (Alrousan & Abuamound, 2013). The finding identified two major gaps referring the dissatisfaction in coffee preparation and complaint management as well as one minor gap identifying the lacking of professional coffee knowledge of employees. By improving these gaps, customer satisfaction and coffee experience will directly be and enhanced.

Furthermore, guests show sincere interest in expanding their knowledge and experience with coffee including their reason for visiting and choices of events. Expresszo should use this strong position on the market of providing coffee experience/coffee culture and tackle seasonality by product diversification (Allcock, 1989, in Witt, Brooke & Buckley, 1991). Since guests have shown significant interest in product diversification in form of both passive and co-created events, Expresszo should answer to the market demand. By implementing the strategy of product diversification, Expresszo can target the same market and increase the conative loyalty of its guests. In combination with the background of the desired emotions and gender differences, a foundation has been found out to plan successful events. The interest of guests regarding passive or active entertainment varies, however; in general customers would appreciate both and show also significant interest in co-creation. When the events will be planned according to the findings and tailored to the preferences of the less loyal guests, their loyalty can be increased resulting in more frequent visits and consequently higher revenues. Moreover, engaging the guests more actively in the participation of social media events should increase the guests’ action loyalty on the social platform. Hereby, the concept of co-creation and the guests’ interest in coffee knowledge can be implemented. The increased action loyalty will act as a low cost promotion tool by attracting new customers.

Therefore, improving the coffee experience two-dimensional can increase the loyalty of guests during the off-peak season and stabilize the business. Firstly, the management has to target the closing of satisfaction gaps shown in the SERVQUAL and secondly implement passive and active events tailored to the preferences of the guests with low or medium conative loyalty.

Additionally, further research should be considered in development of a more suitable measurement tool for perceived service quality designed especially for businesses operating in hospitality industry as well as on a more precise definition on the dimensions of action loyalty and its relation to perceived satisfaction. Moreover, this research data set can be used as a base for further research to determine further interrelations between the tools with more advanced clustering techniques such as SPSS.

7.1 Recommendations

In the following, it will be explained in detail how Expresszo should use the insights of the research to its advantage with the goal to improve guests’ coffee experience and increase cash flow during the off-season.

The recommendations are structured in two parts. At first, it will be explained how the current
and at second, it will be stated how Expresszo can add value to its guests’ coffee experience by product diversification causing a higher level of loyalty.

The perceived service quality will be improved by closing the gaps of guests’ satisfaction. Thereby, it is crucial to pay the biggest attention to the main major gaps of tangibles and reliability. Both if not improved can lead to decline in satisfaction and revenue loss. Expresszo should pay more attention to accurate preparation of its drinks and food by making the employees to understand how crucial it is to be consistent in the preparation. Preheating the drinking cups and using a thermometer while foaming the milk can reassure the max temperature of 70 °C. Furthermore, the gap cannot only be tackled from the perception part but the management can influence the guests’ expectations. Since the barista-made coffee can only be served with a max of 70 °C, Expresszo should communicate this to his guests and involve them more into the knowledge of preparation. This can be done through an explanation on a board in the shop or posted coffee facts on Facebook. When the market gets to know the reason for the lower temperature of coffee and its value to the taste, its expectations will be lowered and the gap will be closed more easily. Moreover, the management should take the dissatisfaction in complaint management very seriously and develop a guide for its employees how to handle difficult situations and dissatisfaction from guests’ side. The guide can include scenarios of complaints or problems followed by possibilities that show the solutions for that problem. Additionally, during the monthly meetings difficult situations and its possible solutions can be discussed with the whole team. Another gap is the professional coffee knowledge from employees’ side. Since Expresszo has its market position as a provider of coffee experience, employees should be part of this by showing interest in knowledge in the field of their work. It is important that the employees know at least the facts about the coffee used in the café such as the beans in their origin and characteristics, the roaster and the preparation process. Since Expresszo works with Single Estate Coffee Roaster, it would also present a good opportunity to advertise the high quality of its coffee. Single Estate trades directly with the farmers from over the world to ensure fair trade and long lasting business relationships whereby Expresszo beans are coming from a farm in Guatemala. Since Expresszo knows the farm and even the farmer of the beans, it could not only use it as a mean to close the gap but even add value to the guests experience that bridges the cup of coffee to its origin roots by transparency and a feeling of interconnection. At last, the possibility of opening hours should be discussed within the management. Although the café should not extent it due to revenue reasons, it should consider the following compromise. Habitually, the café is closed at 5pm and guests cannot order coffee any more. To make the coffee longer available but do not extent the employees working hours, the coffee machine should be cleaned at last instead of first. That way it is ensured that guests have the possibility to take-away coffee and their orders do not have to be declined. All this changes should be done as a preparation before the off-peak season in the coming months of summer so that guests’ satisfaction increases during the summer causing higher loyalty in the off-peak season of autumn.

As concluded from the research, the seasonality can be tackled with product diversification of experience economy including passive and active events. By implementing the researched preferences of guests with low or medium conative loyalty, Expresszo can increase these guests’ visit frequency resulting in enhanced purchasing behavior. By implementing Event 5 ‘Coffee learning and Tasting’, Event 2 ‘Create your own Latte Heart’ and Event 6 ‘Art Gallery’, the customer group with lower conative loyalty can be targeted and influenced. During the creation of the events, the management should follow five key experience-design principles for developing memorable experience according; theme the experience, harmonize impressions with positive cues, eliminate negative cues, mix in memorabilia, and engage all five senses. The researched feelings associated with coffee drinking (comfy/warmness, pleasure/enjoyment, relaxation, togetherness/interconnection) can support the creation of memorabilia. Furthermore, Event 2 should be tailored especially for women. Expresszo could offer a Latte Art
To be able to reach a wide range of guests during the promotion of the events, Expresszo should increase its social media activities especially followers on Facebook using passive and co-created strategies. The increased stimulation will increase the action loyalty on social media and ensure the better market penetration during the off-peak season. Hereby, the stimulants can be the interest in coffee knowledge in form of posted articles and engagement in co-creation. The co-creation on Facebook can be activities where customers can vote for cake for the coming Saturday or suggest a name for calf, which Expresszo is about to buy in the coming future.
List of References


Grissemann, U. S., Stokburger-Sauer, N. E., Customer co-creation of travel services: The role of company support and customer satisfaction with the co-creation performance. Tourism Management. No. 33. P. 1483-1492


Appendix 1

1. Survey

Enhance your coffee experience!

Dear Guest

For my graduation at HZ University of Applied Sciences, I write my thesis for Expresszo with the intention to improve its products and services and that way enhance its guests’ coffee experience.

I will appreciate it if you fill in the following questions. The questionnaire will take approx. 10 min.

The questionnaire is anonymous and your data will be used confidentially.

Yours faithfully,

Nadja Poterjaev

Let’s get started!
1. **What are your expectations of espresso bars?**

This section of the survey deals with your general opinion of espresso bars. Please show to what extent you agree with the given statements below concerning espresso bars. What we are interested in is the score, which reflects your expectations you have in general when visiting an espresso bar.

You should rank each statement as follows:

<table>
<thead>
<tr>
<th>Strongly Disagree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
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<td>3</td>
<td>4</td>
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<td>5</td>
<td>6</td>
</tr>
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<td>7</td>
<td>8</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Statements</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Espresso bars need to have modern technical equipment.</td>
<td></td>
</tr>
<tr>
<td>2. The interior design of espresso bars needs to be cohesive and cozy.</td>
<td></td>
</tr>
<tr>
<td>3. Employees at espresso bars need to be neat and tidy in their appearance.</td>
<td></td>
</tr>
<tr>
<td>4. Served food and drinks need to be visually appealing at espresso bars.</td>
<td></td>
</tr>
<tr>
<td>5. Served food and drinks at espresso bars need to have the correct temperature.</td>
<td></td>
</tr>
<tr>
<td>6. Served food and drinks served at espresso bars need to be tasty.</td>
<td></td>
</tr>
<tr>
<td>7. The food and drinks served in espresso bars has to be of high quality.</td>
<td></td>
</tr>
<tr>
<td>8. Espresso bars have to provide fast service.</td>
<td></td>
</tr>
<tr>
<td>9. When a customer has a problem or is not satisfied, espresso bars need to show sincere interest in solving it.</td>
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</tr>
<tr>
<td>10. Espresso bars need to perform good service right from the first time.</td>
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</tr>
<tr>
<td>11. Espresso bars need to provide the service and products they promise their guests.</td>
<td></td>
</tr>
<tr>
<td>12. Espresso bars need to insist upon improving their mistakes.</td>
<td></td>
</tr>
<tr>
<td>13. Employees of espresso bars need always to be willing to help guests.</td>
<td></td>
</tr>
<tr>
<td>14. Employees of espresso bars should never be too busy to respond to customers’ requests.</td>
<td></td>
</tr>
<tr>
<td>15. The behavior of employees in espresso bars should make you feel at ease.</td>
<td></td>
</tr>
<tr>
<td>16. Guests of espresso bars need to feel safe in consuming their food and drinks.</td>
<td></td>
</tr>
<tr>
<td>17. Employees of espresso bars need to be consistently friendly and polite with customers.</td>
<td></td>
</tr>
<tr>
<td>18. Employees of espresso bars need to have the knowledge to answer customers’ question with regard to their products.</td>
<td></td>
</tr>
<tr>
<td>19. Espresso bars should have time to give guests individual attention.</td>
<td></td>
</tr>
<tr>
<td>20. Espresso bars need to have opening hours convenient to all their guests.</td>
<td></td>
</tr>
<tr>
<td>21. Espresso bars need to have their customers’ best interest in heart.</td>
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</tbody>
</table>
2. What is your perception of Expresszo?
The following statement relate to your feelings about the café Expresszo. Please show to what extent you believe this espresso bar has the features described in the following statements. Here, we are interested in a number from 1 to 7 that shows your perception about Expresszo.

You should rank each statement as follows:

<table>
<thead>
<tr>
<th>Strongly Disagree</th>
<th>Strongly Agree</th>
</tr>
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<tbody>
<tr>
<td>1</td>
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<table>
<thead>
<tr>
<th>Statement</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>8. Expresszo has modern technical equipment.</td>
<td></td>
</tr>
<tr>
<td>9. Expresszo’s interior design is cohesive and cozy.</td>
<td></td>
</tr>
<tr>
<td>10. Expresszo’s waitresses and baristas appear neat and tidy.</td>
<td></td>
</tr>
<tr>
<td>11. Served food and drinks at Expresszo appeal visually.</td>
<td></td>
</tr>
<tr>
<td>12. Served food and drinks at Expresszo have the correct temperature.</td>
<td></td>
</tr>
<tr>
<td>13. Served food and drinks at Expresszo are tasty.</td>
<td></td>
</tr>
<tr>
<td>14. Expresszo’s food and drinks are of high quality.</td>
<td></td>
</tr>
<tr>
<td>15. Expresszo gives a prompt and neat service.</td>
<td></td>
</tr>
<tr>
<td>16. When you have a problem, Expresszo shows sincere interest in solving it.</td>
<td></td>
</tr>
<tr>
<td>17. Expresszo performs excellent service right from the first time.</td>
<td></td>
</tr>
<tr>
<td>18. Expresszo provides the service and products they promised to their guests.</td>
<td></td>
</tr>
<tr>
<td>19. Expresszo insists to improve their mistakes right away.</td>
<td></td>
</tr>
<tr>
<td>20. Employees of Expresszo are always willing to help you.</td>
<td></td>
</tr>
<tr>
<td>21. Employees of Expresszo are never too busy to respond to your request.</td>
<td></td>
</tr>
<tr>
<td>22. The behavior of Expresszo’s employees makes you feel at ease.</td>
<td></td>
</tr>
<tr>
<td>23. You feel safe in consuming the food and drinks at Expresszo.</td>
<td></td>
</tr>
<tr>
<td>24. Employees of Expresszo are consistently friendly and attentive with you.</td>
<td></td>
</tr>
<tr>
<td>25. Employees of Expresszo have the knowledge to answer your questions about their products.</td>
<td></td>
</tr>
<tr>
<td>26. Employees of Expresszo have time to give you individual attention.</td>
<td></td>
</tr>
<tr>
<td>27. Expresszo’s opening hours are convenient to you.</td>
<td></td>
</tr>
<tr>
<td>28. Expresszo has your best interest in heart.</td>
<td></td>
</tr>
<tr>
<td>29. Expresszo welcomes extra wishes for products.</td>
<td></td>
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</tbody>
</table>

If you like to give explanation to your assessment or leave a comment, please note it here:
3. Please rank the reasons why you selected Expresszo whereby 1 is the most accurate and 7 the least one.
   ___ Appearance
   ___ Lunch options
   ___ Coffee
   ___ Cakes
   ___ Service
   ___ Employees
   ___ Other:

4. What is the main time when you visit Expresszo?
   o College/School break
   o Work break
   o Leisure time

5. What is the main reason you drink coffee at Expresszo? Please rank following reasons whereby 1 means the most important reason and 6 is the least important one.
   ___ Taste
   ___ Energy
   ___ Relaxation
   ___ Socializing
   ___ Concentration
   ___ Other:

6. What feelings/emotions are you associating with coffee at Expresszo the most? Please rank the 3 most accurate feelings for you whereby 1 is the most accurate one.
   ___ Feeling comfy/Warmness
   ___ Pleasure/Enjoyment
   ___ Relaxation/Rest
   ___ Boosting/Empowering
   ___ Focused mental state
   ___ Feeling of togetherness/interconnection
   ___ Other:

7. How regularly do you visit Expresszo?
   o It is my first time.
   o Every day
   o Every week
   o Every month
   o Every holidays
   o Every year

8. Would you recommend Expresszo to friends and family?
   o Yes
   o No

9. Did you recommend Expresszo to somebody in the past?
   o Yes
   o No
11. Have you ever taken friends/family/co-workers to visit Expresszo?
   o Yes
   o No

12. Please read the stated scenarios and answer the following questions by imagining yourself being involved in these experiences.
   Event 1 Thriller night: A writer/talented reader will read out of an interesting book.
   Event 2 Create your own Latte Heart! Guests can learn to make latte art.
   Event 3 Slam poetry evening: Guests can present their best poems and compete with each other.
   Event 4 Board Game Night: Guests can compete in playing one of the games such as Chess, Checkers, Scrabble, Labyrinth, Chutes and Ladders, Backgammon, Connect Four etc.
   Event 5 Coffee learning & tasting! Guests will learn about different roast techniques, types of beans, and preparation as well as taste coffees prepared with different beans.
   Event 6 For one day Expresszo turns the shop into a miniature art gallery of local artists.

13. Please select 3 events you would like to participate the most in:
   1. Event ___
   2. Event ___
   3. Event ___

14. Could you explain the reason you have chosen these events?

15. How often would you like to participate in your chosen events?
   o Only once
   o Weekly
   o Monthly
   o Yearly

15. Do you like the idea to participate actively in an event?
   o Yes
   o No

16. Do you have any other ideas for creating an event that you would like to share with us?

Last but not least 😊
Gender:
   o Female
   o Male

Your Age:
Your occupation:
Thank you very much for your participation! I wish you a nice day! Nadja Poterjaev
Appendix 2 (CD-ROM)

1. Expresszo surveys
2. SERVQUAL results
3. Database and Pivot charts