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Hedonic and utilitarian aspects of coffee consumption in China

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Thanks to my family for loving and supporting me,

Thanks to Alberto for being the perfect partner on this adventure,

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前言

本论文的题目是咖啡在中国市场的意义与消费方式，尤其是意式咖啡。80 年代一位法国传教士将咖啡豆带到中国云南省，在那里种植咖啡豆。这位传教士之所以选择在云南种植咖啡豆，原因在于云南当地的气候非常适合咖啡豆的生长。如今咖啡豆不仅在云南种植，而且在海南与其他地区也有种植。在中国本土种植的咖啡豆一半出口到国外，另一半在国内消费。虽然中国人传统上喜好喝茶，咖啡作为一种舶来品，但是随着中国与世界的日益融合，咖啡近年来在中国人中很受欢迎。

由于咖啡的价格偏高，大约 30 人民币左右一杯，普通人的确不能天天都去国际咖啡馆喝咖啡，所以这一是中国人喝咖啡喝得比西方人少的原因之一。虽然目前大多数的咖啡还是在西方国家消费，但是中国是世界上咖啡消费增长最快的市场之一。随着 1978 年中国中国实行改革开放政策，中国人民开始接触西方，并对西方的事物感兴趣。喝咖啡代表了西方的生活方式与时尚，因此中国人，尤其是年轻人，开始喜欢上喝咖啡。

据此，本论文目标在于针对咖啡如何进入中国，受欢迎的程度以及在国内市场上所起的作用的进行分析。我认为咖啡是西方食物进入中国市场的一个典型例子。因此我特意选择了咖啡作为本论文的主题。最近几年来许多公司意识到了中国咖啡市场的潜能，便下决心要进入中国市场，但是进入中国市场后面临的各种困难导致外企计划失败率颇高。一般而言，外国公司最初以为中国市场跟其他国家的市场类似，便简单地采取了同样的策略。其实中国市场与其他国家市场截然不同，因此必须采用适合

于中国市场的策略。本论文另一个目标是将中国市场情况介绍给外国公司与真实地分析中国咖啡市场。

本论文从两个角度对咖啡在中国的市场进行探讨:第一个是从消费者的角度来看，第二个是从经营咖啡的外国公司的角度来看。关于第一个角度，本论文对中国消费者喝咖啡的原因进行调查。关于第二个原因，本论文将一些外国公司进入中国市场的过程以及它们所面对的困难的进行案例分析。越来越多的研究者重视消费者喝咖啡背后的原因。这篇论文从特定的角度来分析所有这些原因。研究者主要指出了两个原因: 享乐性的与实用性。本论文分析这两种原因如何影响到食物消费，尤其是咖啡。

为了将该题目分析得更全面，本论文分为三章：

一、餐饮业的享乐与实用消费:具体介绍所有关于这个方面的研究。

二、中国餐饮业消费方式的发展:研究中国餐饮业的发展，并且研究中国改革开放之后西方文化如何影响中国人民的生活方式与习惯。

三、中国咖啡市场:从消费者与外国公司的角度来分析中国咖啡市场的特点。

关于本论文第一章，从享乐与实用消费理论的角度来分析餐饮业。首先，我介绍了主要的享乐与实用消费理论。两者不仅在不同方面影响到消费者的选择，而且提高了公司管理效率。 显而易见通过分析享乐与实用消费这两方面的有关理论有利于加深公司对中国市场的了解。所以，这两个理论的内容可以让公司深入了解中国市场餐饮业的特点以及按照这个特点将他们的策略灵活应用在中国市场。研究目的是论证餐饮业如何受到享乐因素的驱使。事实上人们吃饭不仅仅是为了能填饱肚子，更是为了享受。据说，餐饮消费跟心情息息相关，食物的口味与其他因素也能影响心情。

第一章的最后一个部分阐释消费者喝咖啡的主要原因:一面是因为身体需要咖啡，另一面是因为咖啡可以给人们好心情。 第二个原因是本论文的核心。据相关研究，专家认为消费者购买食物的主要原因是为了享乐，不过享乐消费的特点在于文化，所以中国消费者的消费方式反映了文化的特点。

本论文第二章介绍中国餐饮业从 1978 年起所发生过的变化。自 1978 年开始中国人的饮食习惯在发生了翻天覆地的变化。主要原因是受西方国家的影响，中国人民开始消费新的产品，尤其是从西方所进口的产品。新食物逐渐代替传统的食物。随着饮食变化，消费方式也跟着改变。由于中国幅员辽阔，各地区都有自己的特点与传统，各个地区会发生不同的变化，南方的变化跟北方的变化也不一致。中国市场是由很多不同的市场而组成的。不过随着市场的城市化与国际化，研究者断言这些差别会逐渐消失。

关于中国餐饮业以及消费方式的变化而言，八零后与九零后消费者更能接受新的消费习惯。八零后是出生于 1980 与 1989 年这两个时代之间的人，九零后是出生于 1990 年 之后的，他们成长于中国巨大的变革期，所以很熟悉并且习惯于这种瞬息万变的情况。因为上述原因他们最先开始模仿西方人的行为以及生活方式，并且开始消费从西方所进口的产品，中国市场存在着消费西化的趋势。本论文介绍下列从西方所进口的产品进入中国市场的过程以及如何吸引了中国人们的注意，所述产品包括:

- 巧克力
- 奶酪
- 葡萄酒
- 咖啡

这些世界闻名的产品最近几年不但进入了中国市场，而且非常受欢迎。一般而言，大多数的中国人认为西方产品的质量比中国的高，所以他们更愿意购买西方产品。国际超市与西方餐厅鼓励了西方化趋势, 西方产品成为了奢华、时尚生活的象征。

中国消费者一个很重要的特点是他们对食品安全的担忧。最近十年来，在中国发生了餐饮方面的丑闻，丑闻发生后中国消费者开始不相信中国产品，所以中国消费者更愿意买进口的产品。中国消费者的另一个特点便是他们关心食物是否有益于养生，所以中国消费者想买食物时一般会问该产品是否健康。八零后与九零后对健康更为关注，因此第二章的最后一部分介绍八零后与九零后这两代人的共同之处以及差别之处。

本论文的最后一章，即第三章，将咖啡的信息解释得更全面。首先，为了更加深入了解咖啡在中国市场的现况，介绍咖啡在中国市场的发展历史。在中国第一家经营咖啡的西方跨国公司是星巴克。星巴克 1999 年在北京市开了第一个咖啡馆，从那时候起它与其他跨国公司在中国开始推广了咖啡文化，为咖啡文化的传播做出了很大贡献。除了跨国公司以外，也有一些意大利公司进入了中国市场，他们的咖啡比跨国连锁的美式咖啡更为高端。不过，如果没有之前的美式咖啡，中国人不一定会了解并且接受意式咖啡。意大利的咖啡文化历史悠久且更为丰富，由于中国消费者习惯了喝美式咖啡，所以不太了解意式咖啡，对他们而言意式咖啡又浓又少。如今意式咖啡对中国消费者很有吸引力，越来越多的中国人喜欢喝意式咖啡。

本论文介绍了意大利的三家经营咖啡的公司: Hausbrandt,、Illy 与 Miscela d'Oro。每家公司入了中国市场的时间不同，采用的策略也不尽相同。对 Hausbrandt 总经理 Fabrizio Zanetti,、Illy 全球客户经理 Kitty Wei 与 Miscela d'Oro 公共关系负责人

Eliana Ferrara 的采访参见本论文附件。这些采访对本论文贡献了很多信息，因此能深入分析了这些公司在中国市场的状况。

从消费者的角度来看，本论文对微博上”喝咖啡”这一网络用语进行了分析。因为大多数西方人不了解微博（确认是微博还是微信？），因此本论文对微博进行了介绍，然后分析微博的内容。微博是中国用户最多的网络媒体之一。微博上的调查材料确认了食物消费与实用和享乐有关，特别是论证了中国人基于享乐而喝咖啡。微博的调查材料也包括很多关于咖啡市场有用的信息，经营咖啡的外企应该使用这些信息调整策略，从而提高效率。

总值，本论文的目的是通过实用与享乐的理论以及咖啡在中国市场的分析让外国公司了解中国咖啡市场并且帮他们将意式咖啡在中国市场推广并热销。

考虑到中国市场与中国消费者的特点，基于本论文的调查材料，网络媒体（如微博）扮演了很重要的角色。另外，既然消费咖啡的主要原因是为了享乐，为了吸引消费者的注意推销策略就应该包括享乐因素。最后，上述理论也可以用在不同的食物上。我希望本论文能够抛砖引玉，对意式咖啡在中国市场的推广有所裨益。

CHAPTER 1: Hedonic vs. Utilitarian consumption in the Food & Beverage Industry

1. Introduction

The main goal of this chapter is to analyze the Food & Beverage (hereinafter referred to as F&B) industry using the recent literature about hedonic and utilitarian consumption.

First, the most relevant research about hedonic and utilitarian consumption is presented. Most of the existing research about hedonic and utilitarian consumption has relevant managerial implications and contributes considerably to improve the effectiveness of marketing practices. Therefore, including previous research is essential to reach this chapter's goal.

Second, the literature about previously mentioned concepts will be used to analyze the F&B industry, trying to demonstrate that the consumption of these products is mostly driven by hedonic motivations. In fact, eating and drinking are not actions only related to physiological needs or nutritional purposes (Desmet & Schifferstein, 2008), but food and beverage are consumed primarily for pleasure (Bhumiratana, Adhikari, & Chambers IV, 2014). It is generally acknowledged that food consumption is associated with emotions (Bhumiratana *et al*., 2014). Emotions derive from the internal state of the individual (like the nutritional state, mood, overall physical state) and from the physical and social environment (Desmet & Schifferstein, 2008). Moreover, some findings on this topic demonstrate that pleasure caused by food depends on the features of the physical environment and social elements such as social interaction. On this basis, what this chapter is supposed to show is that "no one sits down to eat a plate of nutrients. Rather, when people sit down for a meal, they are seeking physical in addition to emotional and psychological nourishment—comfort, pleasure, love, and community" (Block *et al.*, 2011, p.5).

In the last paragraph, coffee is taken as an example. Coffee is indeed regarded as a drink the consumption of which is driven by both hedonic motivation, such as the multi-sensory experience enjoyment and utilitarian motivation, such as stimulation. "Coffee drinking is also an emotional experience with elicited emotions varying according to the sensory properties of the coffees" (Labbe *et al.*, 2015, p.1).

1.1 Hedonic vs. utilitarian concepts

As stated by Holbrook and Hirschman (1982, p.92), hedonic consumption designates "those facets of consumer behavior that relate to the multi-sensory, fantasy and emotive aspects of one's experience with products", whereas utilitarian consumption is more practical and linked to necessities. Products can be classified as primarily hedonic or primarily utilitarian. Goods the consumption of which is characterized by "an affective and sensory experience of aesthetic or sensual pleasure, fantasy, and fun" (Dhar & Wertenbroch, 1982, p.2) are referred to as hedonic. While the consumption of utilitarian goods is more cognitively driven, functional, and goal-oriented. It is mostly oriented to achieves practical task (Dhar & Wertenbroch, 1999).

Generally speaking, hedonic goods are primarily for experiential consumption, excitement, pleasure and fun, while utilitarian goods are more instrumental and functional (Dhar & Wertenbroch, 1999). Utilitarian products are "effective, helpful, functional, necessary and practical" (Lu, Liu, & Fang, 2016, p.332), whereas hedonics ones are "fun, exciting, delightful, thrilling, and enjoyable" (Lu *et al*., 2016, p.332). Both offer benefits to the consumer in the form of experiential enjoyment (hedonic goods) and practical functionality (utilitarian goods).

The utilitarian consumption is related to necessities, whereas the hedonic one is considerably related to luxuries (Kivetz & Simonson, 2002a, 2002b). However, utilitarian goods are not only linked to necessities and, as well as hedonic goods, they are in most situations, consumer discretionary. In these cases, the difference between hedonic and utilitarian goods is a matter of perception and degree. Broadly speaking, hedonic products are perceived as more discretionary in nature than utilitarian products. On the other hand, utilitarian products tend to be perceived as relative necessities.

However, the hedonic-utilitarian distinction is not to be considered only on the product level, it should also be applied to attributes (Lu *et al*., 2016). Consequently, products can have both utilitarian and hedonic characteristics. For example, goods with utilitarian attributes provide instrumental, functional or practical utilities, while goods with hedonic attributes are distinguished by sensations or experience from using the products (Lu *et al*., 2016).

Utilitarian products' aspects relate to extrinsic factors, whereas hedonic aspects relate to intrinsic factors (Hoyer & Stokburger-Sauer, 2011). As a consequence, most of products have both functional and hedonic attributes (Okada, 2005).

In recent decades, the interest in hedonic consumption has been increasing because of its valuable marketing implications and its contribution to the literature on consumers' behavior. Therefore, a deeper analysis is without a doubt necessary.

As aforementioned, hedonic consumption is related to the development of multisensory imagery. Other than that, hedonic consumption is related to the arousal of emotions, which include feelings such as fear, joy, jealousy. The seeking of these emotions is a major motivation to consumption; in fact, consumers may engage in the purchasing act in order to generate an emotional reaction within themselves. Emotional involvement is caused even by simple products like food. Therefore, a complete definition of hedonic consumption may be "consumers' multisensory images, fantasies and emotional arousal in using products" (Hirschman & Holbrook, 1982, p.92). All the previously mentioned effects are referred to as hedonic response.

A precursor of research on hedonic consumption is so-called *Motivation Research*, which started in the 1950s and aimed to explore the unconscious motives that influence consumers' behavior and focused on the emotional aspects of products usage and the arousal of its relative fantasies. From hedonic consumption perspective, products are no more seen as objective entities, but as subjective symbols. For this reason, researchers tend to focus on what the product represents.

As stated by Hirschman and Holbrook (1982, p.94) "consumers imbue a product with a subjective meaning that supplements the concrete attributes it possesses". These symbolic attributes associated with a product or a brand can be determinant at the selection moment.

In addition, hedonic consumption is based on what consumer desires reality to be. Therefore, hedonic consumption embraces the psychological experiences derived from the product usage. Hence, the usage experience is fulfilled by hedonic responses. Thus, experiential aspects of product usage are relevant to consumers' purchasing decisions. Consequently, predicting emotions reactions to product usage is one of the major objective of the research on hedonic consumption.

1.1.1. Forfeiture vs. acquisition choices

The consumer's choice between hedonic and utilitarian goods is affected by the decision task. The object of this paragraph is to understand how the nature of the decision task influences these choices. The decision task may be a forfeiture choice, that is a decision on which item to give up, or an acquisition choice, in other words a decision on which item to acquire. In case of a forfeiture choice, according to the literature on the effect of elaboration on message evaluation, a greater spontaneous elaboration increases the impact of hedonic aspects on the evaluation (Dhar & Wertenbroch, 1999). Consequently, the preference for hedonic goods over utilitarian ones would be much stronger in case of forfeiture choices. In sum, hedonic items are preferred over utilitarian items in forfeiture choices than in acquisition choices.

Even in case of no actual possession, a decision can be framed as an acquisition or a forfeiture choice based on the attribute levels. As aforementioned some goods may have various degrees of both utilitarian and hedonic attributes. Indeed, some goods tend to be seen by consumers as primarily hedonic, whereas some are viewed as primarily utilitarian. The evaluation and the tradeoffs between hedonic and utilitarian dimensions are affected by the choice task. The evaluation will depend not only on the task but also on how consumers process it. In fact, there are some differences in the elaboration process. Specifically, forfeiture choices encourage a more spontaneous elaboration than acquisition choices (Dhar & Wertenbroch, 1999). This differential elaboration augments the relative valuation of hedonic attributes. This is because a positive stimulus message once elaborated can increase the positivity of judgment. Since hedonic attributes are more positively evaluated, imagery-evoking and more sensory, goods viewed as primarily hedonic enhance their attractiveness over utilitarian goods. Based on these arguments, the imagined impact of giving up a hedonic good should be greater than the impact of giving up a comparable utilitarian one.

All the previously mentioned arguments have direct implications for consumers' valuation of goods in the marketplace. For example, since hedonic goods owners are more reluctant to give them up, they may demand higher selling prices to a potential buyer than owners of comparable utilitarian goods. Therefore, the gap between buyer and seller prices should be larger for hedonic goods than for utilitarian ones.

In case of acquisition choice, if the consumer considers utilitarian goods as a way of preserving benefits in everyday life and if hedonic goods are considered as a tool to enhance these benefits, the relative salience for utilitarian goods would be larger than that of hedonic goods (Dhar & Wertenbroch, 1999). Therefore, in case of acquisition choices, utilitarian goods may be preferred over hedonic ones.

From a managerial point of view, strategically speaking, in case the firm must choose which of the attributes of a product or service levels to cut off, it shouldn't choose to cut off hedonic attributes, since consumers are more reluctant to forgo them. On the other hand, if the firms added the same hedonic benefits, it may have lower impact on the market share than adding more utilitarian benefits.

Apart from the previously widely explored theories about hedonic and utilitarian concepts in the context of a forfeiture or acquisition choice, another relevant element in consumers' evaluation of a product is the endowment effect.

The endowment effect refers to the hypothesis that people gives more value to something that they already own than to something they don't own yet.

A person considers circumstances as changes of a status quo, which serve as a reference point. Any change is viewed as a loss (negative changes) or a gain (positive changes). Consumers already endowed with a product, suffer from loss aversion, even if they didn't choose the product. Thus, they tend to keep it, rather than give it up for an alternative product, even if the alternative is better. It is because of loss aversion that consumers prefer keeping the product they are endowed with rather than acquiring a new one. "The reluctance to accept negative changes relative to the reference point indicates loss aversion" (Cramer & Antonides, 2011, p.4). Loss aversion makes consumers dislike losses more than they appreciate a commensurate gain. The loss of a utility is perceived more than the gain of the same utility with the acquirement of goods. This may be explained with the endowment effect, which implies a preference for a person's endowments. The endowment effect results stronger for the hedonic goods than for the utilitarian ones.

Loss aversion is also influenced by the alternative choices. In a situation where the items to choose among are almost the same, the endowment effect would be weaker (Cramer & Antonides, 2011). Indeed, the alternatives may become more attractive if represented as the status quo, which serves as a reference level. Therefore, the framing of reference levels has a relevant impact on preferences' determination.

1.1.2 Decision target and anticipatory guilt

The preference for utilitarian and hedonic products is also affected by the decision target and the anticipatory guilt. Who makes the decision, may be deciding for themselves or for another person. Under these two different circumstances, with different decision targets, the results of the decision may be different as demonstrated by previous research. In fact, someone who's deciding for himself is more likely to choose utilitarian items, instead of hedonic ones, which are rather preferred when deciding for others.

Anticipatory guilt also plays a major role in the selection process. People seem to feel guilty when thinking of consuming hedonic products than utilitarian ones. Indeed, "contemplating hedonic consumption triggers more guilt than contemplating utilitarian consumption" (Lu *et al*., 2016, p.333). It is much easier to feel guilty from thinking of consuming hedonic product than utilitarian ones.

Relating the decision target to the anticipatory guilt concept, the results show that people feel less guilt when contemplating hedonic consumption if they make choices for others. This argument highlights that the decision target influences significantly the preferences for utilitarian or hedonic products. Indeed, individuals making purchasing choices for others usually prefer products with higher desirability, more ideal item (Lu *et al.,* 2016). Moreover, choosing hedonic products for others makes individuals feel less guilt than opting for hedonic consumption for themselves. Thus, anticipatory guilt has an impact on the preferences for utilitarian and hedonic products.

Another reason for the divergent preferences, is that money used for oneself and money used to purchase items for others are allocated into specific separate mental accounts, which are treated in different ways. Furthermore, paying by gift cards shifts consumption from utilitarian to hedonic products (Helion & Gilovich, 2014). People budget more money for hedonic products for the others than for themselves.

Considering these arguments, marketers should use different approaches in describing the products depending on the decision target: if the purchase decision is made for others, marketers should give greater attention to the hedonic features, while if it is made for the people themselves, utilitarian features must be described.

These findings also contribute to improve marketing effectiveness suggesting recommendations for marketing hedonic products to consumers who purchase for

themselves: seller should encourage customers to post information about the product on social networks so that friends deciding for the customers have a more positive attitude towards those products.

1.1.2.1 Guilt and justification

The sense of guilt associated with hedonic consumption is partially due to the difficulty in justifying it. Indeed, it is much easier to justify the utilitarian consumption than the hedonic one. Hereafter, the interrelation between guilt and justification concepts will be taken into consideration.

People, by nature, tend to enjoy themselves. But, enjoying and having fun may cause guilt and need for justification. When the decision context allows people to justify hedonic consumption, they are more likely to consume hedonic products.

In sum, hedonic and utilitarian consumptions are influenced by the decision context.

Before explaining the preferences for hedonic or utilitarian consumption in different decision context, it would be better to understand the reasons why hedonic consumption is difficult to justify. As already mentioned, even though utilitarian goods tend to be linked to necessities, both hedonic and utilitarian product are discretionary and both deliver benefits to consumers even though in different forms. Nevertheless, hedonic goods provide benefits which are more difficult to quantify and there's a sense of guilt associated with them. These are two of the reasons why consumers have difficulty in justifying hedonic consumption.

Regarding the feeling of guilt associated with hedonic consumption, this may reflect culture. In fact, cultures valuing hard work and parsimony, may view hedonic consumption as wasteful, thus evoking a sense of guilt. Consequently, "justifiable options are easier for people to choose" (Okada, 2005, p.44).

In addition, the benefits that come with hedonic consumption appear in the form of experiential enjoyment, which is more difficult to quantify than the functional benefits delivered by utilitarian goods. It is easier to consumers to adduce quantifiable reasons to justify utilitarian consumption. However, people may consume hedonic goods when the context facilitates the justification. Decision context, which is the actual purchase situation, may appear in two different ways: in the first possible purchase situation, an item is presented as a stand-alone decision with no alternatives presented in

comparison to it, in the second purchase situation, many items are presented together and compared leading to trade-offs between one another. In the first situation, in absence of an explicit comparison, it is easier to justify hedonic consumption. Whereas, in the second purchase situation, items are presented together and are evaluated as explicit trade-offs, thus underlining the more discretionary nature of hedonic item than utilitarian ones. This is why it is much more difficult to construct reasons for hedonic consumption. Considering the traditional utility theory, people would choose the alternative with the higher utility. Okada's (2005) study demonstrates that consumers prefer hedonic items over the utilitarian ones if presented singly, but they choose utilitarian items when presented together. Moreover, it demonstrates that the previous argument is validated by the justification-based explanation. This argument is consistent with Hsee *et al.* (2004), as explained by Okada, who affirms that "people tend to focus more on economic calculus and less on experience-inducing factors when choosing between two comparable alternatives" (Okada, 2005, p.49).

In conclusion, hedonic consumptions are more difficult to justify than utilitarian ones. In the same way, some kinds of expenditures are more difficult to justify than others.

1.1.2.2 "Currencies of exchange": time and money

Money and time are viewed as currencies of exchange by Okada and Hoch (2004), as they are traded off in the purchasing of products. Consumers purchase products in exchange for a combination of money (hard currency) and time (efforts). Consumers generally are more willing to pay a premium for convenience and to go the distance and spend more time for a bargain. The difference in spending money and time is due to opportunity costs: the opportunity cost of money is easier to assess, whereas time's opportunity cost is ambiguous and its ambiguity justifies a different spending pattern. Opportunity cost refers to the concept of the next best thing to buy in exchange of money or time.

It has been demonstrated that consumers prefer to pay with money for low-risk products and pay with time for high-risk ones. This is because it is easier to justify the loss in the latter than in the former since the valuation of time is more malleable than

that of money, which is almost fixed. Ambiguity in the valuation of time makes it easier to make reasons for justifying the expenditure.

As previously explained, hedonic consumption implies a higher need for justification, thus influencing the kind of resources consumers are willing to expend for the acquisition. Since time is easier to justify, most consumers prefer spending it on hedonic products, while they tend to spend money on utilitarian products, because those expanses are already easily justifiable. "The prediction is that consumers who perceive the given item to be more hedonic (utilitarian) will pay less (more) money for the same time saving" (Okada, 2005, p.46). In sum, the exchange rate of time for money is greater for hedonic goods than utilitarian ones.

The difference in spending time or money correspond with the differences in the budget constraints: money constraints in terms of total wealth and momentary liquidity issues; time in terms of temporal budget constraints (not having enough time). However, time constraints seem to be softer than money constraints. "Since time use is discretionary so is its valuation" (Okada & Hoch, 2004, p.315). The valuation of time depends on culture and on which stage of life the consumer is passing through. Overall, time is easier to justify, easier to adjust, therefore it fits perfectly consumers' need of justification for hedonic consumption.

1.1.3 Compromise effect

The compromise effect plays an important role in understanding consumers' product choices. It refers to the preference for a product when is the middle option in a choice set, but its attractiveness diminished when the same product is an extreme option (Simonson, 1989). In fact, "an alternative would tend to gain market share when it becomes a compromise or middle option in the set" (Simonson, 1989, p.158).

Thus, compromise implies that an option is preferred in the context of a triplet in which it is the middle option than a triplet in which it is an extreme one (Kivetz, Netzer, & Srinivasan, 2004). For instance, as shown in figure 1, the share of option D is bigger in the set [C, D, E], where D is the middle option, than in [B, C, D], where it is the extreme option.

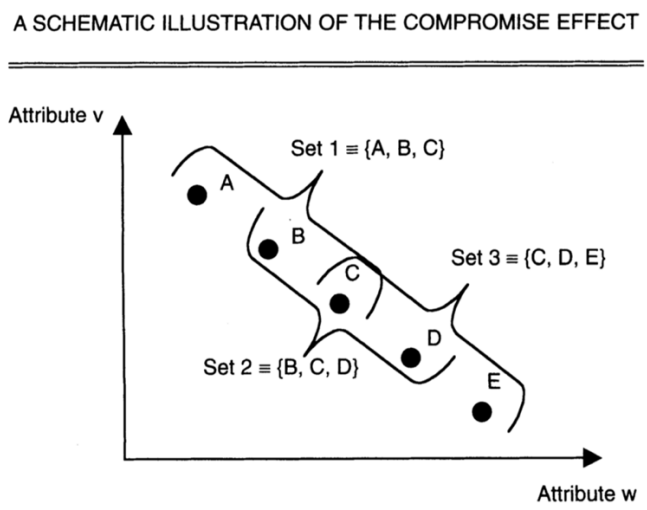

Figure 1. The compromise effect
(Kivetz, Netzer, & Srinivasan, 2004)

Researchers suggest that a middle option doesn't need justification as much as an extreme option, therefore is less questionable by others (Kim & Lett, 2016). However, the compromise effect is influenced by some moderators, such as "the self-regulatory focus, the need for uniqueness, attribute balance, time pressure and psychological depletion" (Kim & Lett, 2016, p.388). For example, people seeking uniqueness are less likely to choose a middle option because of the compromise effect (Kim & Lett, 2016). Similarly, consumers experiencing time pressure in their purchasing will be less likely to be affected by the compromise effect, since they tend to focus on one aspect of the relative item.

However, compromise effects research highlights the relevance of this phenomenon in the decision-making process and in consumer behavior literature. Compromise effects research suggests that the addition of an alternative in a choice set which is relatively inferior to the core brand may lead to the purchase of the core brand viewed as the compromise item between the newly added one and the already existing competing brand (Simonson, 1989). Consequently, a brand in a two-alternative set can gain market share by adding another alternative that makes the brand the compromise item in the choice set (Simonson, 1989). Therefore, consumers expecting to be evaluated by others are more likely to opt for the middle alternative.

Considering the previously explained loss aversion, a compromise choice also reduces "the conflict associated with giving up one attribute for another, and can be justified by arguing that it combines both attributes" (Simonson, 1989, p.171). This is

because the loss on a given attribute is evaluated more than a commensurate gain on another attribute.

The compromise effect is augmented when a consumer is to be evaluated by others. The uncertainty of others' preference makes the middle alternative the safest and the most reasonable. Moreover, the middle alternative is also the easiest to justify. Indeed, compromise effect is stronger for people who want to justify their choices.

Kim and Lett (2016) apply the compromise effect to the different goals of consumption, specifically to hedonic and utilitarian consumption goals. Their hypotheses are based on the justification mechanism, different types valuation mechanism, and regulatory mechanism. It is meaningful to show the justification mechanism in detail, since it provides validation to the previously explained topics. Based on the assumption that consumers tend to justify their decision and explain them to others, the need for justification greatly influences the consumers' decision making. The need for justification is linked to people's self-esteem, which in this case consists in reducing a cognitive dissonance. As demonstrated by researchers, one way to justify the decision is to choose a middle option or a so-called compromise option. Therefore, since hedonic consumption goals provoke a greater need for justification, as highlighted many times in the previous pages, the compromise effect should be significantly higher in a hedonic consumption situation (Kim & Lett, 2016).

However, further findings demonstrate that it is exactly the opposite: "The compromise effect is higher for the utilitarian versus hedonic consumption situation" (Kim & Lett, 2016, p.387). Hsee and Rottenstreich (2004) identify two mental processes for the valuation of a target: valuation by calculation and by feelings. They found out that people relying on feelings would be sensitive to the presence of a stimulus, but insensitive to the scope. Whereas, people relying on calculation would be constantly sensitive to the scope of the stimulus. Relating the types of consumption goals to the mental processes of valuation, the results is that hedonic consumption is affected by feelings, so it is insensitive to the object of the stimulus, while utilitarian consumption is based on calculation, therefore is sensitive to the scope.

In addition, as stated in the theory of extreme aversion, which is closely linked to the compromise effect, people tend to avoid extreme option because of valuation by calculation and loss aversion. Therefore, it can be stated without doubt that the compromise effect has a higher impact on utilitarian consumption and that in a

utilitarian consumption context consumers are more likely to choose a compromise option, because of extreme option aversion due to valuation by calculation and loss aversion.

These findings have relevant implications on hedonic and utilitarian consumption studies and, strategically speaking, they are useful to marketers. In fact, marketers should take advantage of these findings: for instance, when selling utilitarian products, they may make a middle option more attractive than an extreme one. It also significantly affects positioning, branding and competitive strategies (Kivetz *et al*., 2004).

1.1.4 Subjective well-being effects on hedonic consumption

Consumers' long-term subjective well-being (hereinafter referred to as SWB) is a person average mood, it refers to how frequent is a positive or negative affective experience during a given period. It is defined as how often and how much an individual experiences a positive affect or a negative affect during a particular period. SWB influences hedonic consumption through the mediating effects of the "positive interpretation of life circumstances and broadened set of activities" (Zhong & Mitchell, 2012, p.583) deriving from positive emotions. SWB is relevant to better understand hedonic consumption pattern and, given its long-term nature, it plays a major role in the development of habitual buying behavior.

Mediating variables are defined as "the variety of desirable life outcomes that have been found to be related to well-being" (Zhong & Mitchell, 2012, p.587) and give some example, such as good health and a happy marriage. They demonstrate that an increase in the SWB is directly proportional to a rise of the expenses on hedonic products. It is proved that people with high well-being often feel a moderate positive affect, not an intense positive state. Thus, they are more likely to consume hedonic products regularly. However, SWB does not affect hedonic spending directly. Therefore, role of mediating effects of interpretation of life circumstances and broadened activities are significantly important for a deeper understanding of the hedonic consumption pattern. Considering the SWB influence on the long-term habitual consumption, it may be considered as more important than the momentary mood as a driver for decision on the purchase of hedonic products.

In addition, Zhong and Mitchell (2012) demonstrate that as SWB tends to increase, people tend to consume an increasing number of lower-cost hedonic products. Furthermore, they affirm that hedonic products are not only emotionally driven (e.g., well-being), as known from other studies, but they are also cognitively driven (e.g., functional needs such as social connectedness). Therefore, high well-being consumers would prefer to consume many lower-cost hedonic items to develop enduring resources (e.g., social connectedness and physical health).

In marketing communication, these findings may be useful for promoting hedonic spending. Companies should take advantage of these findings and emphasize consumers' positive interpretation of life circumstances such as satisfactory social life, and their broadened activities which are the main factors influencing consumers' spending on hedonic products.

1.2 "Shoulds" and "wants" in food choices

The hedonism and utilitarianism concepts are similar respectively to the binomial "wants" and "shoulds" (Bazerman, Tenbrunsel, & Wade-Benzoni, 1998). The "wants", which are often related to immediate benefits (Cramer & Antonides, 2010), are more experientially and affectively attractive as well as hedonic goods. The "shoulds" are related to long-term benefits and are more practical, in accordance with utilitarian consumption goals (Cramer & Antonides, 2010). The "wants" are also referred to as "vices" and the "shoulds" as "virtues" (Wertenbroch, 1998). In fact, even though the "wants" may lead to immediate pleasure and benefits, they may harm the consumer in the long-run, therefore they are more likely to be associated with guilt. For example, talking about food, junk food is viewed as "vice", therefore it is related to "wants" and even if it may provide immediate comfort or pleasure to the consumer while consuming it, in the long-run it might harm the consumer's health. On the other hand, "virtues" could be related to the preferences for healthy food, such as products rich in vitamins and minerals (Wertenbroch, 1998). The "wants" and the "shoulds", therefore, lead to different food choices, and so do the different hedonic and utilitarian consumption goals.

However, as previously explained, the hedonic and utilitarian concepts are not only applied to the product level but also to the attribute level. In fact, a product may be characterized by both hedonic and utilitarian characteristics. Based on the percentage of

these attributes goods tend to be viewed as more hedonic or utilitarian. Relating "should" and "wants" (that is hedonic and utilitarian consumption) to the F&B industry, thanks to previous research is possible to identify recurring attributes. Cramer and Antonides (2010) identify 10 aspects related to food:

1. taste
2. appearance
3. satisfying effect
4. healthiness
5. not fattening
6. gives energy
7. improves performance
8. improves resistance
9. functionality
10. hedonism

Taste, appearance and satisfying effect result to be most relevant in "wants", and so in hedonic goods, the others are more related to "shoulds", so the utility of the goods. In any case, even though consumers seek the attribute of healthiness in a given food, as already cited "no one sits down to eat a plate of nutrients" (Block *et al.*, 2011, p.5).

In addition to physiological needs, research must also consider the consumer's psychological needs for food. Food consumption goes beyond physiological needs, such as nutrient imbalances. It comprehends psychological motives for consumption which influence the pleasure consumers get from food (Wansink, Cheney & Chan, 2003). Psychological motivations are also related to the social context and social identification. In fact, the psychological and social context of the taste experience plays an important role in determining food preferences. Therefore, a person's motivation to eat and consumers' food choices are not directly linked to physiological needs or nutritive value. A consumer is influenced by "cues from foods, the body, and the social and physical environment" (Desmet & Schifferstein, 2007, p.290).

Moreover, food choice is affected by and associated with emotions (Desmet & Schifferstein, 2007). Accordingly, even though "shoulds" are relevant in selecting food, "wants" seem to be decisive. This is because food is consumed not only in terms of nutritional value, but it is also related to pleasure, emotions, experience, social and

cultural identity and appearance. Therefore, the study of food hedonic consumption has been again demonstrated to be essential to better understand food choices of the consumers and to be fundamental for managers to better address consumers' needs.

1.2.1 Emotional aspect of food consumption

The relationship between food and emotions has been greatly explored, due to its significance and impact on marketing. Researchers analyze this topic mainly from two perspectives: the effect of food on emotions and the effect of emotions on eating behavior. In accordance with this research purposes, the topic will be analyzed only from the first perspective: food effect on emotions. Many researchers investigate the effects of food consumption on a person's feeling state. It has been demonstrated that not only food intake, but food stimuli also may influence an individual's feeling state. For instance, the primary taste qualities (sweet, salty, sour and bitter) influence the "distribution of associations over the emotions happiness, surprise, sadness, fear, disgust, and anger" (Desmet & Schifferstein, 2007, p.291). Measuring distinct emotions is of particular interest since they represent not only the evaluation of the stimulus itself but also an evaluation of the social and situational circumstances.

First, it is important to understand that emotions elicited by food depend on the internal state of the individual (nutritional state, mood and physical state). Moreover, the pleasure of eating derives from the physical environment and social factors (e.g., the interaction during eating). In sum, both internal and external conditions influence food emotions in everyday life. Food itself seems to be only a small part of analyzing the emotional aspect of food consumption. Therefore, when exploring emotions evoked by food both food-related and context-related stimulus conditions related to emotional responses must be considered.

Thanks to the Desmet and Schifferstein's (2007) study, it is possible to affirm that when analyzing emotions elicited by food intake, it is more likely to encounter positive emotions. The phenomenon is referred to as "hedonic asymmetry" (Desmet & Schifferstein, 2007, p.299), which may be caused by the fact that people tend to taste products if they expect to have a positive emotional impact. This is demonstrated by the fact that in case of new product concepts, whose impact on emotions cannot be foreseen, unpleasant emotions are more likely to be evoked. However, it happens that people are

not always aware of their emotions and what evoked them. This makes the analysis even more complicated, because people may attribute emotions to the wrong cause. For example, a respondent may misinterpret the joy elicited by drinking wine on occasion of a pleasant social encounter attributing joy to either the wine consumption or the social encounter.

Conditions evoking an emotional response to food include causes that are direct and indirect. In addition, different sources of food emotions have been identified. Emotions can be elicited by:

- sensory properties, like visual, olfactory and tactile qualities of food, which have a direct emotional impact;
- experienced consequences;
- associated consequences;
- personal or social meanings;
- behavior of the agents involved.

These sources identified by Desmet and Schifferstein (2007) distinguish emotions directly related to food's sensory properties and those related to meanings and behavior associated with it.

1.2.2 Endowment effect on food choices

Food choice is not only influenced by physiological and emotional motives, but also by the endowment effect. In fact, despite the feeling state and health concerns, people's food choices are affected by their actual endowment in choosing between hedonic and utilitarian food. As formerly mentioned consumers endowed with a product tend to keep it rather than give it up for a better alternative. This is explained by the loss aversion, which make consumers' losses, that are negative changes from a given status quo, have a larger impact than comparable gains, associated with positive changes. Status quo is considered to be the reference point from which any positive or negative changes are evaluated. "Consumer food habits may be considered as a preference for the status quo type of food intake" (Cramer & Antonides, 2011, p.3).

Choice is affected by biases, such as loss aversion, that lead to a preference of consumers for their possessions rather than for alternative goods. In fact, consumers

favor their current state, and do not easily accept negative changes from this reference point.

It has been proved that the endowment effect is stronger for hedonic food products than for utilitarian ones. But research also shows that reducing the perception of the difference between food products, weakens the endowment effect. Furthermore, thanks to Okada (2005) it is possible to affirm that the preference for hedonic food products is even stronger when it is presented in isolation rather than when it is presented in a comparative situation. Dhar and Wertenbroch (2000) even found out that the preference for hedonic food products is more positive in forfeiture choices than in acquisition choices.

For a better analysis of food choice influences and motives, the food's low level of involvement and time constraints should be considered. In fact, food is often chosen as a response to simple cues like convenience and taste (Cramer & Antonides, 2011). However, past habits work better than attitudes and intentions in predicting actual food choices, but they are extremely difficult to change, even if the consumer knows his food choices are unhealthy. This is due to the difficulty to resist habitual pleasures and mostly to the endowment effect.

Considering the stronger endowment effect in hedonic food products, an unhealthy diet is more difficult to change. Then, Cramer and Antonides (2011) research demonstrates that focusing on healthy aspects of consumption is ineffective in changing unhealthy eating habits. Instead, the research shows that it was more effective to make healthy alternative more hedonic. In fact, as aforementioned, in case of similar items, the endowment effect is weaker and consumers are more likely to change their habit. Moreover, the alternatives may become more attractive if represented as the status quo, which serve as a reference level. Therefore, reducing the differences between goods reduces the endowment effect for hedonic goods and influences food choices turning them into a healthier food consumption. The healthier choice should be more like the status quo to make the choice more natural for consumers. For instance, free trials of healthy food may augment the endowment effect and the positive attitude toward these goods. In addition, increasing the presence of these products in school or companies' cafeterias may make these goods turn into a status quo choice.

1.2.3 Cultural influences in hedonic consumption

Hedonic food consumption varies greatly in its emotions and fantasies arousal in consumers according to their ethnic background and social class (Holbrook & Hirschman, 1982). This cultural approach helps to better understand the social origins of variation in hedonic response and cultural sources of images that guide consumers in the choice and usage of food products. It has long been recognized that cultural factors represent a crucial influence in food selection (Steptoe, Pollard, & Wardle, 1995). In fact, cultural factors lead to differences in food consumption habits and even to a restriction such as the exclusion of certain foods from the daily diet (Steptoe *et al*., 1995). Furthermore, food is often used to "reflect cultural values" (Block *et al*., 2011, p.7), such as the transmission of meal-based rituals among generations.

An example of ethnic groups which differ significantly in their emotional motives for consumption, in their fantasy tendency and in their consumption experience are Chinese, English, Greek, Irish, Italian and Jewish (Hirschman & Holbrook, 1982). In the second chapter, Chinese consumption pattern will be explored in depth.

Food consumption is influenced by both culture and subcultures; Hirschman and Holbrook (1982) explain that there are three main subcultural differences. First, differences in consumer emotional and imaginal response to products appear closely linked to subcultural differences. In fact, people tend to approach a product according to what they have already learned from their ethnic group. Analogously, the shared values of members of a given ethnic group and social class, influence desire for and responses to a product (Hirschman & Holbrook, 1982). Second, a relevant difference linked to subcultures is the amount of fantasy and emotionality permitted by the members of the subcultural group. This difference also has an impact on the exhibition of and even the potential for hedonic response by consumers. Third, subcultural groups have a different perception of what is viewed as an appropriate hedonic product.

An example of a subcultural group is the social class, which acts as a socialization agent, which means it channels consumers into hedonic activities suitable for their social position. In fact, food consumption is acquired through a socialization process. Thus, "food socialization" (Block *et al*., 2011, p.7) is defined as the process consumers go through to learn about food. Food socialization may take place explicitly (e.g., parents' teaching) or implicitly (e.g., observing). Social classes also serve as a source of

information, support and social pressure (Block *et al.*, 2011). On the other hand, food and specifically meal traditions help in defining the social group. Other socialization agents, aside from social classes, are media and marketing.

Food is "a focus of social interaction and the consumption of prestige foods may become index of social status" (Steptoe *et al.*, 1995, p.268). For example, in China, grape wine is a symbol of social status (Hu & Baldin, 2018). In fact, some food categories or specific food products, according to some of their characteristics (like taste, effects, prize, country of origin) may acquire some symbolic meaning, such as refinement or vulgarity, low vitality or exuberance, nonconformity, wealth, exoticism, creativity or flat repetitiveness associated with individual or social classes consuming them (Seppilli, 1994). The type of food consumed derives from a certain social class and at the same time reveals it (Bertocci & Cavallero, 2017). What you eat reveals who you are. Food reveals an individual's cultural identity and it is an instrument to express and communicate it. In addition, Bertocci and Cavallero (2017) affirm that what we eat is an instrument for communication, relation, and identity. In a broader perspective, it is an instrument for socialization.

Eating is a sharing and meeting occasion, it is a way to understand emotional needs, to express aggression or to taste the pleasures of life (Bertocci & Cavallero, 2017). Food may be a relations' facilitator, a real and emotional context to search harmony with others and with the environment, a way to develop exchange among traditions. From a broader perspective, it can be referred to as a lifestyle and sociality expression, meeting of generations and populations, mirroring ethnic group history and traditions. Food acts as a social indicator, a way to flaunt richness and wealth. The possession of a certain quantity and quality of food is a signal of a person's richness and belonging to a social class. In fact, some types of food products are associated with wealth, while others are identified as the food of the crowd.

1.3 Motivations for coffee consumption

Food and Beverage consumption is driven by different motivations of different people in different occasions. In this chapter, coffee consumption motivations are analyzed and explored distinguishing them into two main categories: utilitarian and hedonic motives.

It has been demonstrated that the consumption of coffee is motivated by the sensory enjoyment of coffee flavor and by the psychophysical stimulation provided by caffeine (Labbe *et al.*, 2015). Coffee is considered to be a hedonic good when it is linked to the sensory experiences provided by its flavor. Consumers drink it seeking satisfaction mainly through the taste and smell experience. Whereas coffee is considered to be a utilitarian good when it is consumed for stimulation purposes, or more generally speaking, when consumers expect a physiological consequence after the consumption (Labbe *et al.*, 2015). However, it has been proved by Cramer and Antonides (2011) that food choices are more hedonic than utilitarian. Similarly, coffee is viewed as an emotional experience, which elicits different emotions according to its sensory properties.

Whatever the motivations to consume coffee may be, its consumption has an impact on consumers' emotions. However, different motivations for drinking coffee differently impact on the "level of pleasantness, emotions and sensory responses" (Labbe *et al.*, 2015, p.57) during the entire experience. Research proved that the type of motivations influences significantly pleasantness and emotions all along the coffee drinking experience. In case of utilitarian motivations for coffee consumption, for example, consumers who drink coffee to be stimulated, experience less pleasure and have lower emotions arousal than consumers drinking coffee for sensory enjoyment. But, after drinking a cup of coffee, the emotional state and the pleasantness level appear to converge. Evidently, consumers motivated by sensory enjoyment seem to appreciate the entire experience, not only the drinking moment, addressing more importance to the multisensory experience. Consumers motivated by stimulation goals seem to consider the experience as functional, addressing more importance to the moment of drinking.

Since coffee provides a pleasant feeling to the senses, it may be considered more as a hedonic product given its impact on emotions. In fact, food emotion relates directly to its sensory properties (Desmet & Schifferstein, 2008). The emotional state is greatly influenced by food sensory experience which appears to be essential to determine the impact of food on consumers' emotions and feelings (Bertocci & Cavallero, 2017). Eating is an emotional experience determined by the five senses through the entire process, even during the moment before actually consuming the food. In addition, sensory enjoyment and satisfaction during the entire experience differ depending on the senses:

taste and smell are relevant before and while drinking, while vision seems to be important all along the entire experience.

These findings on the impact of motivations on emotional state and sensory experience may have relevant marketing implications. In fact, these suggest that consumption motivation may be taken into account when performing research on food and beverage due to its impact on consumers' response. In the light of this, it is recommended to identify motivations driving a given consumer target to consume a product in order to better analyze their responses. More specifically, social media and campaign material should reflect emotions, sensory modalities and moments of the experience according to consumers' motivations in order to engage them with a given product.

1.3.1 Coffee drinking experience

In accordance with the previous chapter, Bhumiratana *et al*. (2014) state that products are perceived through senses that stimulate the consumer's responses. Recently there has been a rise in awareness among researchers about the link between the sensory perception and the emotional experience derived from the consumption of a product. The study of emotions elicited by food or beverage product consumption is relevant especially for those products consumed primarily for pleasure like coffee.

Bhumiratana *et al*. (2014) used the focus group to develop an emotion lexicon and to identify feelings derived from drinking coffee. Their main objective was to better understand "coffee consumers' acceptance and consumption behavior" (Bhumiratana *et al*., 2014, p.84) and to reach this goal it was fundamental to explore what emotions are elicited by coffee sensory perception. The results are forty-four emotions (Table 1) describing the coffee drinking experience (CDE). Seventeen emotions out of forty-four come from the EsSense ProfileTM (ESP) scale, created by King and Meiselman (2010). The ESP scale includes 39 emotion terms utilized by researchers to measure emotional response to general food and beverage consumption. However, emotions vary according to the specific food product, the time of the day, situation, cultures, traditions, and context of consumption. In fact, the remaining twenty-seven emotions generated by coffee are the results of the uniqueness of a distinct food or beverage consumption

experience. Even different varieties of the same food category seem to arouse different emotions provided by distinct sensory perception.

N.	List of emotions	EsSence ProfileTM (King & Meiselman, 2010)	Coffee drinking experience (Bhumiratana, Adhikari, Chambers, 2014)
1	Active	X	X
2	Annoyed		X
3	Awake		X
4	Balanced		X
5	Boosted		X
6	Bored	X	X
7	Clear minded		X
8	Comfortable		X
9	Content		X
10	Curious		X
11	Disappointed		X
12	Disgusted	X	X
13	Educated		X
14	Empowering		X
15	Energetic	X	X
16	Free	X	X
17	Fulfilling		X
18	Fun		X
19	Good	X	X
20	Grouchy		X
21	Guilty	X	X
22	In control		X
23	Jolted		X
24	Joyful	X	X
25	Jump start		X
26	Merry	X	X
27	Motivated		X
28	Nervous		X
29	Off-balance		X
30	Peaceful	X	X
31	Pleasant	X	X
32	Pleased	X	X
33	Productive		X
34	Relaxed		X
35	Rested		X
36	Rewarded		X
37	Satisfied	X	X
38	Social		X
39	Soothing		X
40	Special		X
41	Understanding	X	X
42	Warm	X	X
43	Wild	X	X
44	Worried	X	X

Table 1. Emotions elicited by coffee drinking experience

N.	List of emotions	Definitions (Collins' Dictionary)
1	Active	alert and lively
2	Annoyed	slightly angry; irritated
3	Awake	make or become active again.
4	Balanced	having no emotion too strong or too weak; stable
5	Boosted	a source of help or encouragement leading to increase or improvement
6	Bored	lacks interest in one's current activity
7	Clear-minded	mentally alert
8	Comfortable	physically relaxed
9	Content	in a state of peaceful happiness; satisfied
10	Curious	expressing curiosity
11	Disappointed	sad or displeased because something has failed to fulfil one's hopes or expectations.
12	Disgusted	feeling or expressing revulsion or strong disapproval
13	Educated	resulting from or having had a good education
14	Empowering	make (someone) stronger and more confident
15	Energetic	feeling great vitality
16	Free	feeling able to act as one wishes
17	Fulfilling	making someone satisfied or happy
18	Fun	enjoyment, amusement, or light-hearted pleasure
19	Good	showing approval; pleasing
20	Grouchy	complaining
21	Guilty	conscious of, affected by, or revealing a feeling of guilt
22	In control	able to direct a situation, person, or activity
23	Jolted	give a surprise or shock
24	Joyful	feeling, expressing, or causing great pleasure and happiness
25	Jump-start	give an added impetus to something that is proceeding slowly or is at a standstill
26	Merry	slightly and good-humouredly drunk
27	Motivated	cause someone to have interest in or enthusiasm for something
28	Nervous	resulting from anxiety or anticipation
29	Off-balance	feeling surprised
30	Peaceful	free from disturbance; tranquil
31	Pleasant	giving a sense of happy satisfaction or enjoyment
32	Pleased	feeling or showing pleasure and satisfaction
33	Productive	achieving a significant amount or result
34	Relaxed	free from tension and anxiety
35	Rested	not agitated or troubled
36	Rewarded	feeling like a thing was given in recognition of service, effort, or achievement.
37	Satisfied	contented; pleased
38	Social	relating to or designed for activities in which people meet each other for pleasure
39	Soothing	having a gently calming effect
40	Special	exceptionally good or pleasant
41	Understanding	sympathetic awareness or tolerance
42	Warm	having or showing enthusiasm, affection, or kindness
43	Wild	very enthusiastic or excited
44	Worried	anxious or troubled about actual or potential problems

Table 2. Definitions of emotions

This emotional lexicon identifies and describes feelings occurred during the drinking experience, which is not always positive: for instance, the emotions upset, frustrated, sad, disappointed, annoyed and grouchy are present on the list. These, indeed, are common feelings induced by coffee consumption. The study also revealed the additional group of emotions that describe the mental state of consumers: motivated, in-control, productive, clear-minded.

Considering these forty-four CDE emotions, two main dimensions can be identified to explain coffee drinking experience: "the positive–negative and the high–low energy dimensions" (Bhumiratana *et al*., 2014, p.90). Bhumiratana et al (2014) study proved that coffee consumers sought different emotions from the beverage: some seek a positive-lower energy feelings, some prefer a positive-high energy emotions, some liked the feeling of a focused mental state.

This study has been presented in this chapter because it contributes to further research which will be presented in the third chapter on emotions elicited by coffee drinking experience among Chinese consumers. In fact, this list of emotions could be a starting point for many emotion research with coffee drinkers in different cultures and demographic profiles (Bhumiratana *et al*., 2014). Measuring distinct emotions is critical to this research purposes because emotions do "not only represent the positive or negative evaluation of the stimulus itself, but also an evaluation of the social and situational circumstances in which the emotion is experienced" (Desmet & Schifferstein, 2008, p.291).

1.3.2 A sensory experience: the primary role of taste

Consumers' tastes play an essential role in the decision making and judgment, particularly for hedonic products like coffee. Therefore, the taste may be of particular interest for the study of hedonic aspects of consumer behavior (Hoyer & Stokburger-Sauer, 2012). Even though it is acknowledged that hedonic consumption involves aesthetics and taste, their role in consumer behavior is still limited (Hirschman & Holbrook, 1982).

First, a conceptual definition of consumer aesthetic taste should be developed. From popular science perspective (i.e., from Dictionary.com) taste is defined as "one's personal attitude or reaction toward an aesthetic phenomenon or social situation,

regarded as either good or bad" or "the sense of what is fitting, harmonious, or beautiful; the perception and enjoyment of what constitutes excellence in the fine arts, literature, fashion, etc.". In consumer behavior, good taste is "that prescribed by professional experts in a particular cultural field" (Holbrook, 2005, p. 75).

In psychological aesthetics, taste is related to an individual's sense of aesthetic, that is with a positive valence considered somehow linked to the concept of beauty. Individual sense of aesthetics is directly linked to preferences for a more sophisticated design of things, therefore an individual with a sense of aesthetics should have superior consumer preferences. Consequently, taste generates hedonic value for products (Hoyer & Stokburger-Sauer, 2012).

From sociology perspective, taste is part of an individual's cultural capital, that also includes cultural knowledge, experiences, and worldviews. He discusses that taste is exclusively determined by cultural and social status, but that cultural capital is objectified in consumption goods. From a philosophical perspective, taste is referred to as "the natural capacity to take pleasure in certain artistic and natural objects by means of one's own sensory experience" (Hoyer & Stokburger-Sauer, 2012, p.168). Particularly for strongly hedonic goods, taste plays an essential role in consumer's decision making processes and judgment.

The multi-sensory view aims at augmenting the knowledge about sensory channels used by consumers to "perceive and experience products" (Hirschman & Holbrook 1982, p.94). In line with this purpose, research on gustatory tastes have been implemented. It has been discovered that gustatory taste is relatively driven by "innate preferences for particular flavors, past experience and cultural context" (Hoyer & Stokburger-Sauer, 2012, p.170). According to consumer behavior studies, individuals use consumption objects to express their individuality and social identity. In fact, by using certain objects consumers can indicate their social class, status, lifestyle, etc. Besides, social class and cultural capital drive tastes and the taste is a manifested preference objectified in the product chosen for consumption. As a consequence, it can be affirmed that taste is socially constructed and culturally determined. In fact, taste conventions exist and are driven by cultural values and social class (Hoyer & Stokburger-Sauer, 2012). Since social class and taste are highly interrelated, social class may be a good indicator of certain consumers' taste.

The impact of cultural capital on taste has also been confirmed for mass cultural categories, such as food. However, taste is not either fully objective nor fully subjective, but both aspects coexist in it. In fact, the social and psychological context of the taste experience is also decisive for the development of good preferences (Wansink *et al.*, 2003).

Another element that influences taste experience and evaluation is the taste expectation (Wansink, Payne, & North, 2007). It can bias sensory evaluation and lead a person to focus on the aspects of the taste experience confirming the expectations. In broad terms, food expected to taste good will taste good and vice versa. In fact, food is not in absolute terms good or bad, but as already explained, taste depends on the cultural capital, the expectations, the social and psychological context.

1.3.3 Consumer taste vs. Consumer expertise

After analyzing the role and effects of taste in consumer behavior from different perspectives, it may be interesting to compare the taste concept to the consumer expertise. In fact, they seem to have a different impact on consumer choices and are associated with different consumption patterns. Given that the concept of taste is clear enough for an in-depth analysis, as it has been widely explained in the previous paragraph, now a definition of consumer expertise is needed to better compare the two concepts.

Consumer expertise is domain specific. Indeed, an expert in a product-class is seen as a consumer with more domain knowledge. The content and the organization of the knowledge of an expert is obviously significantly superior to that of a non-expert (Hoyer & Stokburger-Sauer, 2012). Owning a certain product-class expertise is not the same as having good taste. In fact, an individual could have a great deal of expertise for the product-class, but not necessarily good taste and vice versa. The aesthetic taste of consumers seems to be the main driver for hedonic consumption, whereas knowledge is more associated with utilitarian consumption goals.

Therefore, it is possible to affirm that the difference between knowledge and taste concepts and their distinct effects on consumption can be related to the distinction between utilitarian and hedonic consumption patterns. This is the reason why taste

occupies an important role in the present research, being knowledge more related to utilitarian consumption goals.

However, in addition to the utilitarian and hedonic distinction, differences between individuals certainly play an important role in terms of what consumers consider relevant for a specific product evaluation. Some people may consider necessary to apply their knowledge and expertise of the product to make a better decision otherwise, some may apply more hedonic or emotional capabilities in the decision-making (Hoyer & Stokburger-Sauer, 2012). This depends on the consumption goals as well as the product characteristics.

In conclusion, in this chapter, the literature about hedonic and utilitarian consumption has been reviewed and explored in details and from different perspectives. Afterward, hedonic and utilitarian aspect of the F&B industry have been analyzed resulting in relevant findings with important marketing implications. In sum, food and beverage have been identified as goods mainly consumed because of hedonic motives. Coffee is taken as an example of beverage whose consumption leads to emotions arousal and to a multi-sensory experience. However, the high hedonic value of coffee does not totally offset the functional and physiological benefits deriving from caffeine. In fact, it has been demonstrated that coffee consumption can partly be driven by utilitarian motives.

Cultural and social variables in hedonic responses are of particular interest for this research since they lead to differences in food and beverage consumption. Demonstrated that food and beverage consumption varies according to the ethnic and social background, in the next chapter an analysis of food and beverage patterns of consumption in Chinese culture will be implemented due to its critical role for this research purposes.

CHAPTER 2: Food consumption evolution in China

2. Introduction

After hedonic and utilitarian aspects of the F&B industry have been explored in the previous chapter, the second chapter focuses on the Chinese market and presents how Chinese diet structure and food and beverage consumption patterns have been evolving since the economic reforms of 1978 and what are the main changes.

Chinese diet structure has been changing since 1978, when the economic reforms of Deng Xiaoping started. Chinese shifted their consumption from traditional food to a new variety of products, some of which are imported from the West. Imported products are a new entry in the Chinese diet, which is demonstrated to be converging with a typical Western diet. Especially Millennials embody this new trends toward westernization and are holder of the future trends. In this chapter, some imported products are taken as examples: chocolate, cheese, wine and coffee; the last one will be discussed largely in the third chapter.

As Chinese diet structure changes, so does Chinese diet quality. However, it has been demonstrated that changes are not the same all over China, therefore the so-called "Chinese market" has been split in different ways in order to give more precise evidence about the above-mentioned changes.

Chinese consumption patterns appear to be influenced by Western culture and is moving toward materialism, a concept typically associated with the West. In China food safety and health concern are very strong and influences Chinese consumers purchasing, encouraging them to buy imported products, which are perceived as much safer than local ones.

Chinese Millennials embody all these new trends and values coming from the West and are protagonist of existing changes. Indeed, Millennials easily accept changes and embrace them, since they were born in a continuously changing China.

2.1 Chinese changing diet structure

Since 1978, with the start of the economic reform, China has gone through the most rapid economic growth in the world. The income growth and rapid urbanization

following the economic reforms have been decisive in the development of China's new food consumption patterns (Gale & Henneberry, 2009). The economic growth has been widespread around the whole country, however, people in different parts of China have benefited from it at different degrees. For instance, for the last two decades, the per capita income of urban residents has been almost three times higher than the income of their rural counterparts (Yu *et al.*,2016). Considering that China's population makes up for 20% of the world population, the incredibly rapid economic growth, even though not well distributed within China and among its citizens, has made the country the second-largest economy in the world (Yu *et al.*, 2016). Nowadays, China GDP keeps growing steadily, reaching 11.119 trillion dollars in 2016 (The World Bank, 2016) as shown in Table 3.

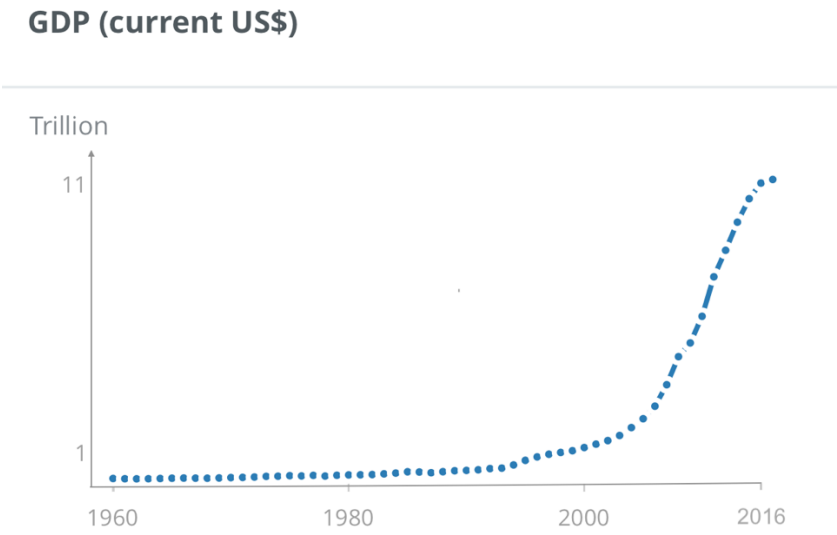

Table 3. China's GDP over time
(World Bank, 2016)

Together with the income growth, the per capita annual consumption expenditure also has grown substantially since 1978: in 1978 it was only 175 RMB yuan, in 1990 it reached 714 RMB yuan with an average growth rate of 12,43% per year (Fan & Chern, 1997). In 2016 the per capita annual consumption grew sharply and amounted to 23,100 RMB yuan (Statista, 2018). This chapter analyzes the related changes in food consumption patterns, therefore the total food expenditure is taken as a base and a mirror of the significant structural changes in Chinese diet. In general, the consumption of grains and vegetables dropped, whereas the consumption of animal products such as

meat, eggs and dairy products had a significant increase. For example, meat consumption quadrupled from 1980 to 2005 and reached 71 million tons in 2012. More surprisingly, the consumption of dairy products has had an explosive growth; for instance, consumption of milk increased tenfold between 1980 and 2005. Similarly, consumption of eggs had a significant eightfold increase during the same period.

Nevertheless, because of the income differences between urban and rural China, even if there has been an increase in the consumption of animal foods accompanied by a reduction of cereals intake in both urban and rural areas, still, the growth in the consumption of animal products in rural china has been significantly lagging behind (Yu *et al.*, 2016). For example, in 2012 rural residents' per capita consumption of meat was 20,9 kg, which corresponds to the quantity consumed by urban residents in 1982 (Yu, *et al.*, 2016). Despite the differences among rural and urban China the general trend is seeing Chinese moving from staple food such as rice and wheat to high value food products (HVPs) such as meats, fish and dairy products (Zhang & Wang, 2003). The decrease in the consumption of grains, from 135 kg per capita in 1985 to 79 kg per capita in 2001, corroborates Zhang and Wang's (2003) thesis. Over the same period, an increase from 3.24 kg to 5.3 kg in the per capita consumption of poultry was registered, confirming once again Zhang and Wang's (2003) argument.

Chinese changing consumption patterns affect not only domestic food market but also trade behavior. In fact, international trade is mainly driven by consumer demand, which has been continuously changing in the last decades. Indeed, China was traditionally known as a major importer of wheats, but, with the increase in the demand of HVPs, it became a major importer of a wide variety of agricultural products, like poultry and vegetable oils (Zhang & Wang, 2003). An example could also be the increased import of barley due to the increase in consumer's demand for beer. These changes are possible since China has opened its market and turned into a market economy. Besides the economic reform started in 1978, another key event which contributed to Chinese trade shaping the international market was its becoming a member of the World Trade Organization in 2001.

Therefore, as previously mentioned, the economic growth and the transition towards a market economy are key elements for explaining changes in Chinese food consumption behavior (Grunert *et al.*, 2010). A direct determinant of these changes in

the demand for food is the income growth, which leads to a demand for higher-value and different varieties of food (Pingali, 2006).

Contrary to the popular belief, China's dietary change is not to be solely attributed to the income growth, but also to changing prices. Gale and Henneberry (2009) proved the price-sensitivity of Chinese households and affirmed that this makes consumption patterns flexible. In fact, it has been confirmed that "Chinese diet is driven to some extent by the inertia of tradition, but it can be altered by changing relative prices" (Gale & Henneberry, 2009, p.35). This argument is proved by the major changes occurred in the decade from 1980 to 1990, when the central planning of prices was eliminated. For example, during the same period, grain price had been allowed to rise, consequently urban population turned their diet into a more diversified one, away from grains.

From 1980s food consumption patterns in urban China have been shifting from staple grain to a more diversified diet, including non-staple and high-value food products. For example, the consumption of wheat, temperate fruit and vegetables and high protein and energy dense food increased considerably (Pingali, 2006). In addition, the demand for these food products, which also include poultry, beef and mutton, oil and fat, eggs, aquatic products and fresh milk, will continue to increase as income increases. Generally, more urbanized populations have a more diverse diet, consuming a larger quantity of meat, dairy products and processed food (Yu, *et al.*, 2016).

In addition to prices and income, food consumption is also influenced by demographic variables such as household size, urbanization level, education and age of household head. Taking meat as an example, age and education level of household head affect significantly its consumption. In fact, even if in the past pork was traditionally consumed, households with a younger and better-educated household head tend to consume less pork and more other varieties of meat. This suggests new generations are shifting from pork to other meats or other poultry products. Talking about the urbanization level effect on food consumption, Pingali argues that the "processes of urbanization and global integration bring about new dietary needs and general lifestyle changes" (Pingali, 2006, p. 282).

Most researches highlight the evidence of the emergence of a large Chinese market for non-staple foods and high-value food. Their demand is driven by the already mentioned increasing per capita income, the relative changes in food consumption, the

continuing urbanization and, more importantly, the expanding influence of foreign food cultures, which will be discussed later.

2.1.1 Changing diet quality

Along with changes in diet structure, China's rapid economic growth also brought relative changes in Chinese diet quality. The most influential factor is the increase of the average income level. The trend in diet quality of Chinese over the last decades is toward a more balanced diet. Huang, Wang and Tian (2016) argue that the quality of Chinese diet improved as Chinese residents' income levels increased. However, even though it has been improving, the diet quality of the highest income group still has not reached the standards of a balanced diet. But, it is estimated that it will further improve in the future as the average income level increases.

As aforementioned, with the rapid economic growth, Chinese diet structure is undergoing great changes, shifting from traditional staple foods and vegetable to high-value food product containing a high fat content. This ongoing transition is affecting diet quality of Chinese residents. The greater consumption of animal-based foods in China is helping improving Chinese diet quality, along with a decrease in the intake of total carbohydrates (Huang, Wang, & Tian, 2016). Hence, one of the main changes in diet patterns is the total energy intake. This decreased substantially between 1989 and 1997, from 2651.2kcal daily per person, to 2544.5kcal. However, data differs among the various income groups: even if high-income groups have a lower total energy intake, this decrease in the daily calories intake is larger among low and middle-income groups (Du *et al.*, 2004).

The greater consumption of animal food products is replacing the more traditionally consumed staple food, the consumption of which had its largest decline from 1989 to 1997. Instead, the trend of animal foods consumption has been increasing, due to the increasing income level. In fact, before 1988, animal foods were luxury foods that just rich people could afford. But, nowadays, almost everybody can afford them.

However, as a developing country, China is still going through a nutrition transition; thus, there still are segments of the population affected by under-nutrition. In fact, it is acknowledged that significant regional differences are present in the Chinese market. These differences also reflect the different diet quality of Chinese residents in

rural and urban China, and also in the Southern and Northern provinces. The data shows that the diet quality of residents in the South was more satisfactory and closer to the standards of a balanced diet than that of residents in the North.

Clearly, people living in urbanized areas have a more balanced diet than people living in the rural ones, because of the higher food availability. In addition, residents in urbanized areas have access to more diversified food and higher accessibility to food markets. Therefore, Chinese diet quality will further improve as urbanization progresses. Thus, the major determinants of dietary change in China seems to be the economic status and urbanization process. Indeed, income level directly affect the types of food consumed by the population and their diet structure, and so does urbanization.

Despite the increase in the consumption of high-fat and high-protein products brought to a more balanced diet compared to the past, but is also one of the main causes of obesity in China. Obesity is a multi-factorial disease, therefore is the result of different factors (Li *et al.*, 2007). Li *et al*, (2007) demonstrated that higher consumption of protein and fat contributed considerably to overweight phenomenon among children. Indeed, in China obesity increases as fat consumption increments. Other than dietary factors, also physical activity and genes contributed to overweight. In fact, it has been proved that obesity is the result of interaction between environment and genes. Thus, children with obese parents were more likely to be obese. Parents also play a major role in the development of a healthy and balanced diet and children's physical activity patterns. Due to the improvement in technology, transportation and communication there have been a general decrease in people's physical daily activity (Wang *et al.*, 2007). In light of this, food intake and physical activity seem to be determinant factors in determining body weight. Andegiorgish *et al.* (2012) found out that overweight children are used to consume sweet foods and usually eat outside of home in fast-foods, restaurants, cafeterias. Of course, a family needs money for dining out more often. As a consequence, family socioeconomic status also influences children propensity to be obese.

In addition, changes in lifestyle brought by the rapid economic development are associated with an increase in obesity (Wang *et al.*, 2007). The increase in family income and the higher availability of food have a relevant effect on obesity percentage. In fact, thanks to the increased income family can afford more high-fat and high-protein foods. In addition, as aforementioned, high income allows people to eat at restaurants more frequently. Moreover, the economic and social developments gave more opportunities

for a sedentary life (e.g. computerization, improved public transport, expansion of television, increased car ownership). Along with the increase in the income, decreasing food prices also encouraged overconsumption. However, in 2002 obesity remained quite low in China, on the contrary in the same period overweight had already reached European countries' level of obesity (Wang *et al.*, 2007).

In conclusion, China is moving towards Western level of overweight and obesity in a short time. According to China health and nutrition survey of 2002, in China there are 215 million overweight and obese youngsters, 7% of which are 7-17 years old (Andegiorgish *et al.*, 2012).

2.1.2 China as a single market?

Contrary to the popular belief among foreign people, a "Chinese market" doesn't exist; rather, the so-called "Chinese market" is composed by many diverse markets (Grunert *et al.*, 2010). There are fifty-six ethnic minorities, different languages, different historical backgrounds, which lead to a variety of different cultures; thus, Chinese people living in different parts of China do not all eat the same food or, in broad terms, consume the same products. The regional disparity emerged with the economic growth: even if this phenomenon has been lowering the rate of poverty from 6,5% in 2012 to 2% in 2018, per capita income has not been increasing equally in all parts of China. In fact, most of the implemented policies carried out by the government were directed to the coastal parts of China in the East, in order to facilitate a major opening to the world. These regional differences, existing already in the past and exacerbated by the recent policies, remain and make the Chinese market diversified.

Since there is no doubt that income level affects the Chinese diet structure, a possible analysis of Chinese market could be based on the regional income level, dividing provinces into high-income and low-income groups. Zhou and Hui (2003) classified twelve provinces and cities as high income – Beijing, Tianjin, Liaoning, Shanghai, Jiangsu, Zhejiang, Hunan, Fujian, Guangdong, Guangxi, Sichuan, and Yunnan, and 16 provinces as low-income – Shanxi, Mongolia, Jilin, Heilongjiang, Anhui, Jiangxi, Henan, Guizhou, Gansu, Qinghai, Ningxia, Xingjiang, Hebei, Shangdong, Hubei, and Shaanxi. An example of the effect of the income level on food consumption habits is proved by the role of grains in their diet structure. In fact, grains appeared to be a

necessity in low-income provinces, but were considered an inferior good in high-income provinces.

A more common and widely used classification of a country's internal market is the distinction between North and South. Considering that China is a huge country with a great territorial extension, the distinction between East and West should also be considered. People from different provinces not only usually eat different types of food, but they also prefer different flavors. In Northern China, Chinese prefer to eat salty and simple, they consume less vegetables, wheat still being the staple food. Food made of wheat flour such as steamed bread, bread, and buns is daily consumed (Ma, 2015). In Western China, a typical meal may be hearty halal food with lamb as the main meat. In Central China, spicy dishes with a lot of seasoning is preferred; whereas in the Eastern part of China sweeter and lighter foods are preferred, and there is a strong preference of seafood over meat (Zhang & Wang, 2003). Lastly, in Southern China, food is usually sour and rice is the staple food (Ma, 2015).

Despite all the mentioned different regional food preferences, it is expected that China regional differences will diminish along urbanization and internationalization process. In fact, urbanization means better channels of distribution for a great variety of food within China, whereas internationalization involves the import of many food products, especially non-staple and high value products, that step by step are becoming part of Chinese diet. In fact, nowadays Chinese food consumption patterns tend to converge with a Western diet (Pingali, 2006).

2.1.3 The entrance of imported products into Chinese diet

Nowadays, Chinese traditional consumption patterns are not only turning into new ones, but are also converging with the Western way of consuming food. This convergence with Western diet is driven by globalization and the consequent global interconnectedness of urban middle class. This trend is reinforced by the presence of more and more global supermarket chains and food restaurants, so by the strong presence of imported products, which are becoming part of Chinese dietary habits (Pingali, 2006). Chinese consumers started to search for high-quality and stylish foreign products (Podoshen & Zhang, 2011).

Indeed, the demand for food products imported especially from Europe has been increasing dramatically during the last decade (Wang *et al.*, 2015); this trend is shown by the annual growth of 27,3% of imported food and beverage in China (Wang *et al.*, 2015). One of the main reason for the increase in the consumption of imported products is its perceived high quality, especially when it comes to European food.
An example of products that have become widespread in the Chinese market, even if they don't belong to the traditionally consumed food are: chocolate, cheese, wine and coffee (Hu & Baldin, 2018).

2.1.3.1 Chocolate

In fact, talking about food, chocolate is not exactly what Chinese people are used to eating, since Chinese people are not used to consuming sweet food: they rather prefer and are more focalized on salty food. That's why chocolate is a new entry in the Chinese market. For this reason, chocolate in China is mostly adapted to local taste; its sweetness has been lowered to make Chinese consumers better appreciate it. Since Chinese usually buy traditional snacks in mono-dose packages (Vescovi & Pontiggia, 2015), therefore chocolate packaging was also adapted to their purchasing patterns. Chinese costumers tend to leave chocolate for special occasions, using it as a gift or a special snack during holidays, therefore supermarkets also sell it in special packages for gift occasions. The rather occasional consumption of chocolate may be explained by the high price of a chocolate bar, which makes chocolate still a luxury product, not suitable for daily consumption; for instance, a single chocolate bar sometimes may cost as a main dish in a Chinese restaurant. However, more recently, chocolate has been turning into more than just a gift product, and Chinese consumers are starting to buy it for personal use (Hu, 2015). Euromonitor (2012) indicates that parents started to purchase chocolate bars for their children rather than buying the traditional snacks. This is justified by an increasing preference for chocolate taste over traditional snacks. Local chocolate brands are also present in the market, but Chinese costumers prefer to buy foreign ones, being the country of origin, or even the "foreignness" of the product a perceived warranty of quality. Indeed, Dove, Ferrero, Cadbury and Leconte occupy the 70% of the market share in China and, among them, Leconte is the only local brand

selling chocolate. Ferrero, the most famous Italian firm selling chocolate, is the second best seller in China, occupying almost 20% of the market share (Li, Chen, & Qi, 2017).

2.1.3.2 Cheese

In Chinese diet, the consumption of dairy products is quite recent and it has not reached a high level of consumption yet. Indeed, cheese is at its early stage with a low per capita consumption. Cheese is mostly consumed indirectly through Western fast food and dessert consumption, such as pasta, pizza, hamburger, tiramisu, cheesecake, all containing cheese. Therefore, Western fast food had a major role in making Chinese consumer appreciate cheese. This typical Western food has evolved into other different type of food products such as cheesy fries, all kinds of milk tea or fruit drinks covered with cream and cheese mix, cheese-flavored biscuits, cheese-flavored ice cream, etc. (Euromonitor, 2017). Cheese is being reconsidered not only because of its taste but for its high calcium and protein properties: it is considered a healthy food by Chinese consumers. Because of the increase in health awareness, the consumption of dairy products has increased a lot especially in the baby food market, and it still has plenty of room for development (Euromonitor, 2017). Even if a local production of dairy products does exist, Chinese tend to prefer imported products, since they perceive they are qualitatively superior, better controlled and supervised, fresher and healthier than the local competitor's products. Especially after the so-called melamine scandal, Chinese producers lost Chinese consumers' trust, therefore Chinese started to purchase exclusively imported dairy products. The scandal took place in September 2008 when, because of the presence of a high percentage of melamine in baby formula and milk powder, more than 300,000 fall ill, and six of them died (McDonald, 2012). Lack of trust made consumers more concerned about food safety problems within the country and encouraged imports. For instance, in 2015 the main importer of fluid milk was Europe (66%), followed by New Zealand (16%) and Australia (13%).

2.1.3.3 Wine

Alcohol was already part of Chinese diet, before wine arrival in the Chinese market. However, even if grape wine has existed since Tang dynasty, its consumption in the past has never been as widespread as today, among the new generations (Hu & Baldin, 2018). Nowadays, new generations usually consume wine in bars, discos and restaurants. New generations are identified with "the younger" aged between 18 and 29 years old.

Wine is viewed as a trend and a symbol of high social status and big economic availability (Hu & Baldin, 2018). In fact, wine is not consumed for its taste, but for its symbolic value and its association with the concept of personal prestige (Hu & Baldin, 2018). For these reasons, the brand and the country of origin assume an important role for the selection of wine: consumers want to avoid the risk of "losing face". The country of origin preferred by Chinese for wine category is France, whose image is connected with luxury and high-quality products (Vescovi & Pontiggia, 2015). Indeed, wine is seen as a luxury product and as a way of receiving social recognition. Apart from the image of wealth, elegance and social status connected to wine, another reason why Chinese started to consume more wine is that they consider it a healthy drink with beneficial properties (Vescovi & Pontiggia, 2015). In this regard, red wine is viewed as the healthiest wine, therefore is rather preferred over white wine. In addition, it is preferred also because of the color, which is a propitious color in Chinese culture, associated with wealth, good luck and power (Euromonitor International, 2015). Regarding the taste, there is a strong preference towards red wine (Hu & Baldin, 2018).

Table 4 shows how wine consumption has increased sharply from 2000 to 2012. Even if this table shows wine consumption to undergo a slight decline from 2012 and 2014, on average consumption remained high.

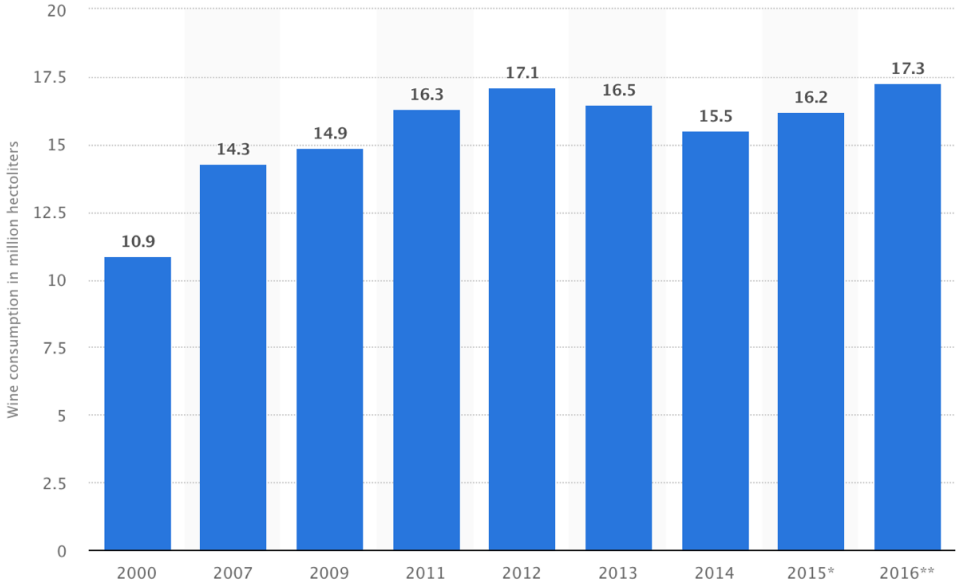

Table 4. Wine consumption in China
(Statista, 2018)

2.1.3.4 Coffee

Coffee appeared in China for the first time in 1800, thanks to a French missionary who brought coffee from Europe to China. However, it quickly disappeared and has been forgotten for 200 years. Coffee re-emerged in the Chinese market thanks to the big investments of multinational chains, like Starbucks, Costa coffee and Coffee Bean (Hu, 2015). These big investments made the diffusion of coffee culture into the huge Chinese market possible. Giving an example, Starbucks is the most widespread multinational coffee chain in China which contributed to coffee culture diffusion. Starbucks opened its first store in Beijing in 1999. China is, now, the country with the most Starbucks stores in the world: in 2017 there were 1,540 company-operated stores and 1,396 licensed stores (table 5), out of which 600 are in Shanghai. China is also Starbucks' fastest growing market with a new Starbucks opening every 15 hours on average (Pham, 2017).

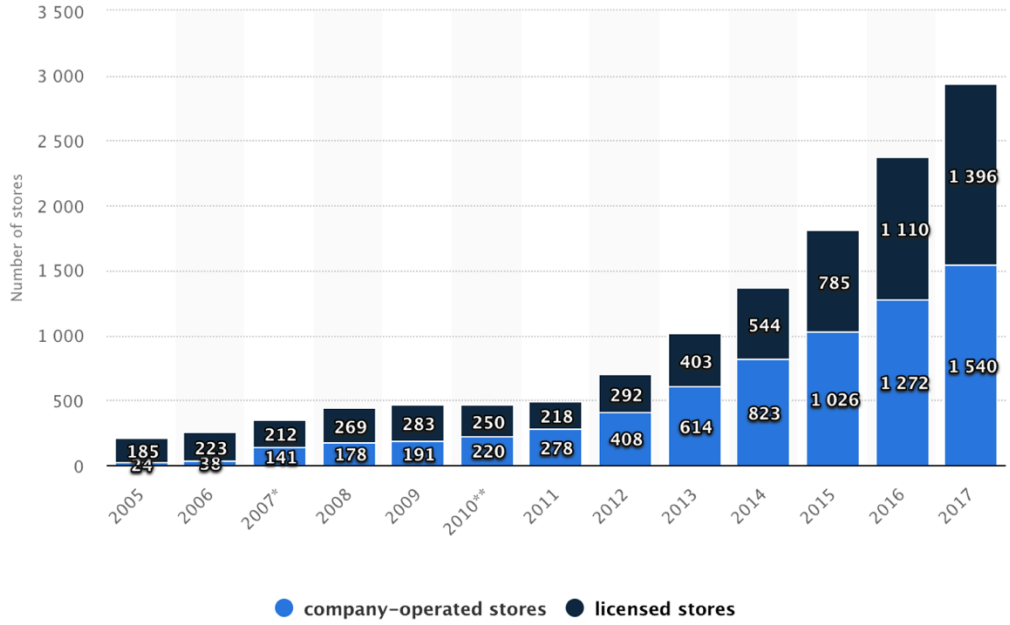

Table 5. Number of Starbucks stores in China
(Statista, 2017)

Starbucks 'success is attributed to its ability to bridge the gap between the tea and coffee drinking cultures and to convey status appealing to individuals searching for Western standards (Devault, 2017). In general, coffee consumption in China was around 1.9 million bags in 2013/2014, and has been growing at some 16% per annum over the last ten years (as shown in Table 6), making China the 17th largest coffee consumer in the world (International coffee organization, 2015). Even if it is still growing, the per capita consumption is 5 to 6 cups per year, which is quite low compared to Italian standards. One of the main causes may be the high price, which makes coffee a luxury beverage. Apart from these, there are other reasons why coffee is not widespread yet, as well as other reasons to believe that the new generations could speed up its consumption in the near future. This and other important aspects of coffee consumption will be discussed in-depth in the third chapter, in which also the experience of some Italian coffee companies in the Chinese market will be presented.

	Production	Consumption	Exports	Imports
1994/95	54	180	58	173
1995/96	53	255	24	313
1996/97	50	220	196	245
1997/98	60	109	166	225
1998/99	104	167	124	236
1999/00	146	245	109	238
2000/01	193	282	186	282
2001/02	287	337	212	309
2002/03	324	396	265	348
2003/04	386	448	283	387
2004/05	361	514	240	418
2005/06	365	544	301	485
2006/07	428	576	352	527
2007/08	433	606	401	577
2008/09	555	623	530	611
2009/10	1 173	994	563	742
2010/11	827	1 271	633	995
2011/12	1 090	1 312	969	1 314
2012/13	1 534	1 488	1 269	1 275
2013/14	1 947	1 891	1 170	1 463
Growth rates				
1994-2013	21%	13%	17%	12%
2004-2013	21%	16%	19%	15%

In thousand 60kg bags

Table 6. Coffee statistics for China
(International coffee organization, 2015)

2.2. Chinese new consumption patterns

The striking economic and social transformation following the adoption of an open door policy have resulted into new food purchase patterns, the increase in the type and number of retail venues, greater variety of food products, increased purchasing power and all the other aspects that have been discussed in the previous paragraph (Grunert *et al.*, 2010). Nowadays, people are more mobile, travel a lot and get in touch with other countries' realities and tastes (Grunert *et al.*, 2010). Especially the more affluent among the youth have been affected by the effects of the economic modernization and the introduction of Western fast-food retailers, leading to changes in eating habits.

Veeck and Veeck (2000) identifies five major aspects of Chinese new consumption patterns:

1. Purchase of convenience food
2. Dining out
3. Patronage of food retail store
4. Time spent food shopping
5. Frequency of food shopping trips

Talking about the increase in the purchase of convenience food, this has been delayed by Chinese preference for fresh fruits, vegetables and meats (Veeck & Veeck, 2000). To the Chinese, "fresh" means that it comes straight from the farm in a timely manner. In the past, the daily purchase of fresh food was due to the lack of the refrigerator at home (Vescovi & Pontiggia, 2015). Nowadays, even if refrigerators are no longer a problem since their recent entrance into Chinese houses, they remain small and are used to stock meat, beverages and leftovers. Despite the above, an increase in the purchase of convenience foods has been registered since 1978 and this increasing trend is expected to continue in the future (Veeck & Veeck, 2000).

Another major change in Chinese consumption patterns is the new habit of frequently dining out. This tendency may be associated with the increase of the disposable income and the lack of time that is common in times of rapid economic development (Veeck & Veeck, 2000). The increase of time spent at restaurants accompanied the rise of full-service and fast food restaurants, where Chinese consumers can consume both Chinese meals and Western food. In addition, there has been a proliferation of family-owned restaurants, where Chinese consumers can eat a meal for a few yuan (Vescovi & Pontiggia, 2015).

Apart from the increase in the number of restaurants, there has been also an explosion of small private grocery store, offering packaged goods. Moreover, economic development is usually characterized by the growth of large, multi-line food retail outlets, such as supermarkets (Veeck & Veeck, 2000). Supermarket started to appear in great number since the mid 1990s.

In fact, a western tourist in China at the beginning of the 1990s would have found only one type of supermarket. Only five years later the first Carrefour, Metro and Wal-Mart were opened in the Chinese market (Vescovi & Pontiggia, 2015). Supermarkets are about to replace the traditional central food markets and street sellers of food in urban areas (Pingali, 2006). In 2001 supermarket already occupied 48% of the urban food market, from 30% in 1999 (Pingali, 2006). Inside the supermarket, imported products are always divided from Chinese ones and a specific part of the supermarket is devoted to its storage (Vescovi & Pontiggia, 2015). Nevertheless, shopping in the supermarket has lately become mainstream.

With the economic development, the greater level of disposable income was also accompanied by less free time, therefore many consumers tried to reduce time spent on

food shopping. In the past, a great amount of time was destined to food purchase, but because of the increase in commuting time to places of work, the reduction of time spent shopping food was a necessity. Together with the time spent shopping food, also the frequency of food shopping trips diminished considerably. In fact, if in the past, the proximity of markets to residential areas, the habits of riding a bicycle and walking, the congestion of public transport and the lack of refrigerators were plausible reasons for daily food shopping trips, nowadays consumers have reduced the number of food shopping trips, mainly due to the recent introduction of refrigerators and the availability of non-perishable food, together with time pressure.

In sum, the Chinese economic development that lasted almost three decades led to new patterns of consumption, characterized by an increase in the purchase of convenience foods, the new habit of consume meals away from home, the reduction of time and frequency of food shopping and the great availability of a variety of foods inside supermarket and grocery store (Grunert *et al.*, 2010).

2.2.1 Westernization

The diet transformation in China comprehends two separate stages:

1. Income-induced diet diversification
2. Diet globalization and westernization

The first point was widely discussed in the previous paragraphs, in which the changes in the Chinese diet from 1978 were investigated; the diet diversification caused by the consumption of a wider variety of food has been highlighted together with its effects on Chinese diet quality and, last but not least, the entrance of West-imported products in the diet was examined.

The rising consumption of wheat and wheat based products, the increase in the consumption of high-protein and energy-dense foods, the consumption of temperate zone products and convenience food and beverages are part of the transformation of Chinese diet, that also characterizes Western countries' diet (Pingali, 2006). In fact, the new Chinese dietary habits reflect Western patterns in the strong preference for meat or fish, dairy products, processed convenience food and drinks of all type (Pingali, 2006). All these products can be found in supermarket and fast-food outlets. Along with the

spread of supermarkets, in China there has been an explosion in the number of Western fast food chains (Pingali, 2006). Supermarket and fast food chains stem from and boost the demand for "Westernized" food. Demand of customers is increasing together with the emergence of a growing middle class more inclined to follow Western culture and trends (Podoshen *et al.*, 2011). This Westernization process is especially being brought forward by the new generations, since dietary habits are acquired at a young age (Pingali, 2006).

Foreign products became a model to follow, a symbol of social status and richness for customer purchasing high fashion items or luxury goods (Podoshen *et al.*, 2011). Middle class changed their lifestyle, which is more consistent with the modern Western world, consisting in the consumption of Western goods. Chinese consumers act this way because they are willing to be part of a modern and more progressive world, in which the great variety of western goods leads to happiness and freedom (Podoshen *et al.*, 2011). Those who can afford newest goods are trendsetters and often tend to a conspicuous consumption, which is a source of envy. Chinese consumers are more likely to purchase foreign products because these convey a sense of sophistication and are a means of obtaining social approval (Hu & Baldin, 2018). The foreign products are associated with a contemporary way of consumption and a materialistic lifestyle. The symbolic benefits derived from foreign products, such as modernity, prestige and association with foreign lifestyle, are the main motivations for consumption. The aspiration to a Western lifestyle has influenced Chinese consumers in sectors like fashion, travel and even food consumption (Hu & Baldin, 2018). Nevertheless, even if Chinese consumers buy Western products seeking a Western lifestyle, they don't blindly buy Western. In fact, Chinese consumers are becoming more sophisticated, therefore, even if they generally prefer imported products, in any case they look for quality at a good price (Zhou & Hui, 2003).

When foreign products are not only associated with the image of high quality, but also with social and symbolic value, they are more likely to be appreciated by Chinese consumers. In fact, if consumers are inspired just by utility and design, domestic products are more likely to be preferred, because more competitive in terms of good value for money. Based on these arguments, it is possible to argue that the desirability of foreign brands is primarily driven by symbolic motives, such as using them as social expression. Symbolic value not only drives consumption of luxury items and brands, but

drives also the consumption of non-luxury items holding it. Some examples may be the successful foreign fast-food restaurants, such as McDonald's and KFC or other Western-grown appetites, like Haagen-Dazs ice cream, Starbucks coffee and Pizza Hut. These brands dominate the Chinese market over the local competitors because they symbolize modernity and status. Zhou and Hui (2003) argue that symbolic attributes are more decisive than utilitarian attributes in the purchase situation. Therefore, foreign companies should take this concept into account when positioning their brand and should try to sustain the symbolic value for their product. In fact, a product value depends on the marketing communication which transfers social and cultural meanings into imagined or actual reality (Zhou & Hui, 2003). Marketing campaigns based on quality may be a failure, in comparison to image-based ones, since Chinese consumer became more mature, down-to-earth and aware of quality. Therefore, when it comes to quality, a local brand could be preferred.

Regarding the specific consumption of Western foods, Wang *et al.* (2015) found out three motivation factors that influence directly Chinese consumer choices:

1. Mood
2. Sensory appeal
3. Time or money saving

The first motivation is an important determinant for the consumption of Western food. This motivation is corroborated by previous studies demonstrating that Chinese consumers consume Western food for the aesthetic and emotional pleasures and the willingness to experience Western cultures (Wang *et al.*, 2015). Sensory appeal has a positive and direct influence as well, confirming that taste plays a major role in the consumption of Western-style foods. Lastly, time or money saving has a negative effect on consumption and is considered a barrier, since the imported products are usually more expensive than local food products. In this respect, Western food marketers should employ sensory-related marketing strategies, adjusting sensory attributed for specific food patterns.

2.2.2 Materialism comes to China

As China continues to move into a market economy, materialistic values, previously viewed as merely Western ideals, are taking hold in China (Podoshen *et al.*, 2011). These values are changing the traditional social structures and values, which, together with the consumption patterns, mirrors free market economies (Podoshen *et al.*, 2011).

Materialism is defined as the importance attached by consumers to worldly possessions and results from the combination of three factors – envy, non-generosity and possessiveness. These dimensions give an idea of the degree to which consumers value their possessions, are unwilling to share them and feel envious of others' material items.

Another definition for materialism may be the centrality of material acquisition in individuals' lives and their role in achieving happiness. In line with this definition, individuals measure personal success by the number and quality of their possessions. Highly materialistic people tend to give more value to items that can be seen in public and are more likely to be pleased by showing them, rather than by actually using them. Materialism is linked to many aspects of consumer behavior.

Similar to the concept of materialism, conspicuous consumption is "a behavior in which an individual displays wealth through a high degree of luxury expenditures on consumption and services" (Podoshen *et al.*, 2011, p.18). Conspicuous goods are goods that satisfy the need for prestige and this satisfaction derives from the reaction of the audience not from the use of the good. In light of this, consumers' preferences are based on social status and on the opinions of people belonging to that social class. In sum, consumers' purchasing is influenced by the wish for a positive judgment in the greater social hierarchy (Podoshen *et al.*, 2011). Therefore, conspicuous consumption is used to find a greater social status.

Conspicuous consumption has its roots not only in Western values brought by the rapid economic growth, but also in the more traditional Chinese concept of "face" (known as *mianzi*), which means "reputation" and relates to prestige that is obtained through the impression made on others. This Chinese traditional concept is an integral part of Chinese culture and is a driving force toward the acquisition of material goods that other members of the community have. Another Chinese principle that should not be ignored in the analysis of conspicuous consumption in China is the role of the self in

the society. Chinese is a collective-oriented society, in which the self is defined in relation to its relationships. Therefore, one's identity is connected to family, professional and social relationships. Hence, Chinese individuals seek conformity to the group, which is also somehow expected or even given for granted.

In other words, conspicuous consumption serves as a means of establishing one's social identity. This makes foreign products, which are symbols of the modernization of the Western cultures, highly desirable (Zhou & Hui, 2003).

2.2.3 Food safety and health concern

A relevant aspect of Chinese food consumption is the great importance assigned to health aspects of food. In fact, Chinese consider the role of food for a healthy life more important than Western individuals (Vescovi, 2015). It is acknowledged that Chinese people seek the health benefits of food products. Indeed, when a new product enters the Chinese market or when Chinese consumers approach an unknown product, they are more likely to inquire about its health benefits rather than its taste (Vescovi, 2015). However, in the last decades China has been moving from the healthiest diet in the world toward a less healthy one, which usually characterizes high-income countries. In fact, it has been proved that older people care more about the healthy impacts of food consumption than new generations. More recently, there has been a growing awareness about health impact of the new dietary habits and people started to search for healthy and quality food products. Therefore, health consciousness in China is growing along with food safety concerns.

Another factor influencing Chinese people's food consumption is food safety concern, which has been growing lately because of some food safety scandals (Hu, 2015). Food safety concerns the safety of the food source, freedom from avoidable chemical and contamination, safe storage, transportation, labelling. World health organization states that food safety is a significant issue for its public health, economic and social implications. In 2012, Chinese authorities found 15,000 instances of unsafe food practices and shut down 5,700 food businesses (Boulter, 2013).

Food safety scandals are likely to be associated with China's unregulated development of new sectors and the rapid economic growth (Pei *et al.*, 2011). Other causes that led to food safety problems are:

- The need to provide a great quantity food to an enormous population, which caused the use of pesticides to increase the crops with no time to control food safety.
- The fast-growing urbanization of China, which implied the reduction of fertile grounds, hence, the increase of pesticides and other chemical substances to boost production.
- The use of illegal additives and toxic industrial waste in food processing connected with the rapid industrialization in China.

The most famous and recent scandal is the melamine milk scandal, happened in 2008, that caused the death of six infants and bladder stones in more than 290,000 children (Wu & Chen, 2013). Melamine scandal is remembered not only for causing a general distrust of Chinese consumers into Chinese food safety control system, but also for its key role in the improvement of the latter. Indeed, after the scandal the control system was reformed drastically (Pei *et al.*, 2011). Notwithstanding these changes, Chinese consumers lost confidence in the government-run food inspection system, therefore scandals created a general distrust in the domestic market (Ortega *et al.*, 2011). Consistently, scandals increased awareness of the inefficiency of the Chinese food inspection and food certification systems (Ortega *et al.*, 2011). The 2008 melamine milk scandal is considered a turning point in the field of the food safety in China. From a social perspective, changes in both the purchasing habits and the perception of domestic and foreign products can be observed.

The contemporary Chinese society does not have faith in the national market and considers the import the sole way to guarantee themselves safety and health when it comes to food. Chinese consumers shifted from consuming Chinese products to purchasing imported ones, since Chinese consumers think imported products better comply with their expectation and needs and foreign products are perceived to be safer because of the stricter control system. Even though imported products are likely to be more expensive than domestic products, but Ortega *et al.* (2011) demonstrated that Chinese consumers are willing to pay more in order to ensure that their food is safe, especially upper middle class individuals.

Therefore, Chinese people's needs and purchasing habits have changed, as consumers started to look for products which embody some new basic characteristics:

like high-quality standards and efficient supervision systems. In addition to this the food needs to be fresh and high nutritional, and most of all, healthy. Hence, health and food safety concerns influence significantly consumers' food purchase (Hu & Baldin, 2018). New generations especially have increased their quality standards more recently and started to search for healthier food products, such as low-fat and low-sugar food (Li *et al.*, 2017).

2.3 Millennials' new ways of consumption

Since Chinese Millennials are likely to become the most influential segment in the consumer market of all times, in this paragraph their main traits and new consumption patterns are explored. First of all, Millennials are those people who were born in the 1980s and 1990s. Nowadays, they amount to 415 million, 31% of total population in China (Fung Business intelligence, 2017), which correspond to the United States and Canada total population. Millennials are 40% of total Chinese urban population and are likely to increase up to 46% by 2021. Their consumption has been also growing at a steady annual rate of 11% since 2016. The total consumption of Millennials is estimated to reach 69% by 2021 in comparison to that of old generations, that is estimated to reach 31% as shown in Table 7.

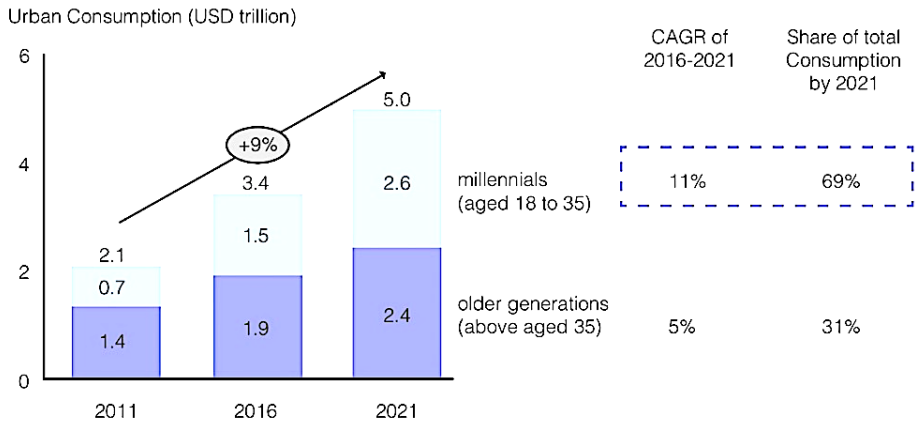

Table 7. Share of China's urban consumption by the Millennials vs. the old generations (Fung Business Intelligence, 2017)

Millennials were born at a time when China's economy was taking off and under the "one-child-policy". The combination of these two elements, the economic and

political background, made Millennials the dominant segment of the market. As an only child, a Millennial is used to be the center of the attention, a "little emperor" whose parents tend to spoil and give financial support to. In addition, Chinese parents try to compensate for their past lack of material wealth by providing a rich lifestyle to their child. Moreover, parents are willing to make sacrifices to ensure their children a brighter future, to satisfy their child's wishes and give them the best. Therefore, Millennials tend to rely on their parents (Goh Sui Noi, 2017). On the other hand, the only child bears the burden to succeed and they usually relieve this stress buying luxury goods and looking for a meaningful experience in their purchasing (Zheng, 2017). Furthermore, Millennials seek unique purchases as an extension of their experience of being the center of their family, a means of expression of their individuality and a way to distinguish themselves (Zheng, 2017). One important trait of Millennials in China is the desire for new experiences that contribute to a public identity creation, for example tasting a cappuccino at Starbucks (Tung, 2017). Generally speaking, millennials spend more than older generation because of limitless parents' financial support.

As aforementioned, Chinese Millennials have experienced economic growth following the economic reforms and opening. Therefore, Millennials enjoyed this new-found wealth not suffering poverty as older generations. They are eager to consume western-style goods and premium products and they want them fast. They are spoiled, want to enjoy life, have fun and just a few want to work hard (Wang, 2017). Besides, they aspire to a premium lifestyle consisting of consuming premium products and service that boost their personal well-being. Indeed, healthy foods, education, and travel are on the rise (Fung Business intelligence, 2017). They are becoming more and more selective and conscious of quality. They are willing to pay more for a higher quality product. They are more concerned with health, food safety, and quality, which are the main variables considered in the purchasing of premium products (Fung Business intelligence, 2017). Premium products not only have to be healthy, safe and with a high quality, but they should give consumers a sense of superiority. In accordance with this, niche brands and limited edition and customized products are becoming widely popular. Especially customization is a new trend in Chinese society which reflect the need of Millennials to distinguish themselves among peers and build their own identity through consumption. In broad terms, Millennials seek a balanced life in which family, health, and experience play a primary role (Zipser, Chen, & Gong, 2016). Accordingly, the

growth of premium segments is outperforming that of the mass segments. In the premium market, foreign brands are still undisputed leaders in China (Zipser *et al.*, 2016). Millennials assign great value to individuality and immediate gratification; they always seek novel experiences and want to enjoy self-expression, but fear to fail.

2.3.1 Generations gap

A characteristic typical of the Chinese market is the difference in consumption habits that exists among generations. This is evident by looking at the difference between parents and children with conflicting ideologies (Podoshen *et al.*, 2011). The existing generational consumer cohorts in China are the result of three major events of historical relevance: Cultural Revolution (1966–79), Economic Reform Era (1980– 91) and the Era of Globalization of China (1992–now). The first was the most decisive in shaping consumers' behavior. Whereas the last two introduced new social orders and ideologies that gave birth to coming-of-age groups values. There are three distinctive set of values influencing young consumers:

1. Communistic values: the sense of sacrifice and contribution to the state;
2. Confucian values: especially frugality and long-term horizons;
3. Materialistic values: personal enjoyment through consumption.

In the light of these historical events, it is meaningful to distinguish different generational cohorts: those who were born during the Cultural Revolution are parents of today Millennials, who were born in the 80s and 90s. Later, the differences between Millennials born in 80s and 90s will be explored in depth. Meanwhile, a focus on the differences in consumption patterns between Millennials and the generation born during the Cultural Revolution is needed to realize the relevant changes between them.

The most evident difference is that older generations grew up behind a cultural wall (Dychtwald, 2018), while Millennials are open-minded because they grew up observing the outside world. Indeed, younger generations are more globally-aware than their parents, also thanks to their higher education. The great exposure to Western cultures and ideas of younger generation contributed to their openness to the world. Since Chinese Millennials are highly connected to the rest of the world, they became more sophisticated and selective. They seek a modern lifestyle and have high

aspirations. Older generations fought for financial security, meanwhile, Millennials spend a high percentage of their income in healthcare, entertainment, travel, food and beverage and education (Fung Business intelligence, 2017). These different viewpoints and attitudes are mainly due to globalization. Another important difference is the entry of individualism ideal in Millennials' mindset as opposed to the traditional collectivist spirit, promoted during the Cultural Revolution. Individualism in China has been influenced by Western culture.

When shopping Chinese younger consumers pay less attention the price than elders focusing more on the quality and functionality (Li *et al*., 2017). Talking about brands, Millennials would prefer a famous or trendy brand, whereas older generations favor brands that can enhance their social status. Millennials are more likely to buy a wider range of brand than their parents and grandparents, but Millennials also influence somehow older generations. Moreover, an empathetic brand will be favored when using the right medium to communicate. In addition, celebrities also have a key role in stimulating the consumption of certain products by all consumers, but celebrities' preferred attributes change depending on the generation. Indeed, Millennials are receptive to celebrities of the same age from Mainland China, Japan or Korea. In comparison, older consumers favor celebrities coming from Taiwan and Hong Kong.

Chinese Millennials seem to have many facets, they can be narcissistic and socially conscious, nationalistic and westernized, more individualistic but also yielding to conformity and looking for recognition (Wang, 2017). The next paragraph will clear up some points that may appear contradictory but are due to a further distinction needed in China between Millennials born in the 80s and 90s.

2.3.2 Balinghou and jiulinghou

In China, there is a distinction between people born in the 80s and 90s, called balinghou (八零后) and jiulinghou (九零后). They are considered two distinct though related generations of Millennials and their new consumer behaviors are leading the rise of new industries (Li *et al*., 2017). Balinghou and jiulinghou generations broke with certain traditionally established values in dramatic ways. Balinghou generation began to overturn the tradition, causing older generations anxiety (Moore & Chang, 2014). These dramatic changes are associated with the fact that balinghou generation grew up in a

China that is very different from that of their parents. Balinghou generation's parents grew up under totalitarian political pressures, in a society in which collectivism and obligatory self-sacrifice on behalf of society were demanded by Mao Zedong. Young generations were freed by those constraints. In addition, China's increasing prosperity and openness to the West added fuel to the fire of new generations (Moore & Chang, 2014). It was Deng Xiaoping who opened China to international influences through a program of reforms which eliminated the Mao's collectivist structures transforming China into an expanding market-driven economy. Communication with the West was stimulated by the proliferation of new technology and the diffusion of internet, that in the mid-1990s became widespread. Despite the distinction into two generations, Balinghou and Jiulinghou, indeed, share experiences with technology, society and individual economic opportunity.

However, it is still worthwhile to point out these two generations disparities. Generally speaking balinghou tend to be more idealistic, worried about jobs, and trendsetters, on the other hand Jiuilinghou are individualized, want to start business and trend followers (O'Reilly, 2014).

Balinghou generation grew up under relative freedom and influence from Western youth culture and produced a new attitude in China, individualism. Individualism was widely accepted by balinghou generation. If balinghou accepted and welcomed individualism first, jiulinghou has taken it to places when balinghou had never dared to go. This may be attributed to the spoiled nature of the little emperors born under the one-child-per-family policy. But, a more important factor enhancing the youth generation's individualism and materialism is the sudden prosperity of China after a long period of poverty (Moore & Chang, 2014). Besides, jiulinghou seem to be more rebellious than balinghou. As found out by Liu Fengshu (2016), Jiulinghou is a one-child generation that saw dramatic growth of both wealth and technological developments. They are considered fickle and self-focused in their work, bad team players, no longer concerned about hierarchical relations.

A trait of Chinese Millennials, both balinghou and jiulinghou, is their confidence in the future. Even if the future is expected to be full of challenges, they are confident and optimist. They are both open to Western ideas and products (Choi *et al.*, 2011). They spend more money on service, in fact, the percentage of GDP spent on service increased from 25,5% in 1984 to 51,6% in 2016 (Li *et al.*, 2017). Along with the rapid

development of the service industry, Millennials are exposed to more new things and are more interested in leisure and entertainment. Millennials give importance to the creation of a personal identity, they are willing to try new things, have strong brand awareness and are always connected to the internet. 70% of Millennials are willing to try a new brand, 20% don't refuse to, the last 10% prefer not to try new things.

Moreover, Millennials are well-educated and have sophisticated taste and good knowledge of products and brand. They are quality-conscious and willing to spend time searching for a good product on the internet. They are used to changes and embrace them. This is because since they were born, everything around them has been continuously changing. They are the most enthusiastic and active responder in the present era characterized by the Internet, mobile phones, and social media. In fact, more than 86% of online shopping group are Millennials. In addition, they are the heaviest users of social media in China (Fung Business intelligence, 2017).

Given Millennials conspicuous consumption and materialism, they are a very promising consumer group, which will certainly affect the near future market (Wang, 2017). Therefore, studying their needs and wants is essential to companies that want to ride this wave and exploit their potential and resources in the Chinese market. Since Millennials will be the future biggest spenders, therefore satisfy their needs, such as mobile, social, experiential, convenience-driven, customized products and services, is imperative for companies that want to enter the Chinese market. In the table below (Table 8), Balinghou and Jiulinghou main characteristics are reassumed.

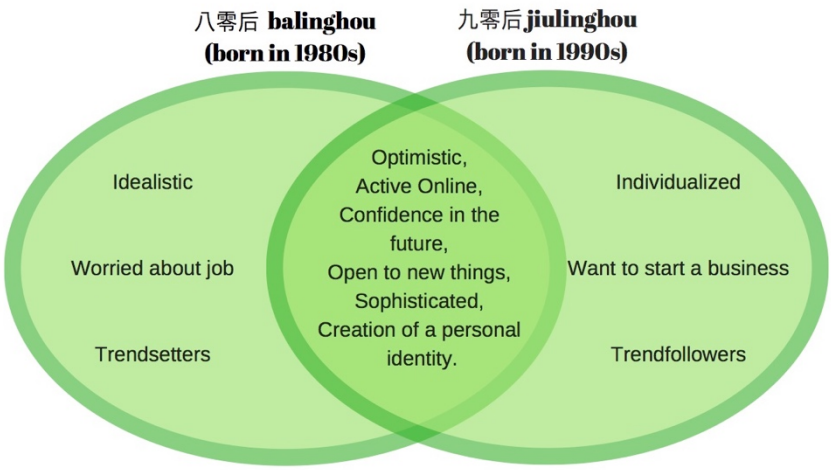

Table 8. Chinese Millennials' main characteristics

In conclusion, the second chapter helped to open a window on the Chinese market and to study Chinese consumers diet and new consumption patterns. Millennials are the target of this study, since they are the most influential consumers of the Chinese market and are the largest consumers of Western products. All the information gathered, even if limited, given that there are not sufficient researches on this topic, may be useful as a basis for other researches. In this specific case, they are fundamental for the research on coffee consumption in China. In fact, afterwards, coffee history in China will be told and its current consumption will be analyzed from a different and interesting perspective.

CHAPTER 3: Coffee in China

3. Introduction

In this final chapter, the focus is on coffee beverage specifically in the Chinese context. The chapter starts from the introduction of coffee into Mainland China, thus providing some context on its history. Coffee history helps to clarify how the coffee market in China reached its current size and notoriety.

Then, coffee market in China is described, mentioning the major players in the market, especially first-movers which had a relevant role in the diffusion of coffee culture and in preparing the ground for second-movers entrance. Second movers are identified with Italian coffee brands; this will be discussed in this chapter as well. Specifically, the entrance and the success in the Chinese market of three Italian coffee brands are presented: Hausbrandt, Illycaffè and Miscela d'Oro. Thanks to the collaboration and help of Hausbrandt CEO, Fabrizio Zanetti, Illycaffè Key account manager, Kitty Wei, and Miscela d'Oro PR manager, Eliana Ferrara, an analysis of the difficulties and potentials of coffee market in China has been possible. In fact, these companies have faced different problems into different ways in order to spread their coffee culture all over China, together with their brand history and personality. All of them proudly represent the quality of "made in Italy" and Italian coffee culture in China. Therefore, their contribution was essential for the carrying out of this research project, providing some further insights into the Chinese market from a managerial perspective.

Furthermore, an empiric analysis has been implemented with the purpose of better understanding coffee consumption from consumers' perspective. The purpose being that of getting some evidence on what Chinese consumers think of coffee and why they consume it, a qualitative study of a Chinese social network (Weibo) has been carried on. Posts containing the sentences "drink coffee" have been translated from Chinese, codified and categorized.

In conclusion, the purpose of this chapter is to actively contribute to the existing research on coffee consumption in China, given coffee's great growth potential in the Chinese market, and considering its relevance as an example of a Western product which is slowly becoming part of the Chinese diet.

3.1 Coffee history in China

Coffee arrived in China in the second half of 80s thanks to a French missionary who planted some coffee beans for the first time in Yunnan. Yunnan was chosen because of its weather that better suits coffee production (Pontiggia & Vescovi, 2015). However, coffee became popular only after the first decades of XX, when the foreigners started moving to China to live inside the foreign concessions. Even though at the beginning, Chinese did not show interest in coffee, a hundred years after coffee was being offered in all major cities of China and it was produced in such great quantity that allowed China to be one of the major producers and exporters of coffee beans (Dharmananda, 2003).

The medical aspects of coffee were considered according to the principles of Chinese traditional medicine: coffee has been discovered to help the liver dredge and regulate the flow of liver qi, and was also considered suitable as a medical herb to open the heart orifices, improve blood circulation, and detoxify (Dharmananda, 2003). Nevertheless, coffee is not consumed because of its embedded health benefit or for medical purposes; it is rather a beverage connected to Western culture, that has been fascinating Chinese people for the last decades. Indeed, the West is associated with democracy, modern music and coffee culture. Coffee culture in Shanghai, which has for a long time been much more influenced by Western culture than other cities in China, already had quite a sophisticated coffee culture in the 1930s. At that time, Western restaurants and cafes were being opened, bringing up the first generation of coffee lovers. These cafes and restaurants were mostly run through overseas investments.

In 1988 the Chinese government collaborated with the United Nations Development Program to start a project in Yunnan province for developing the cultivation of coffee. Nestle also contributed to this project and helped reach 4,000 hectares in 1995. This project was the result of China's economic reforms during the 80s, which were aimed at opening China's door to the outside world. Aside from Yunnan, Hainan is another place in China in which coffee beans production started around the 1930s. Yunnan today accounts for more than 80% of China's total coffee production, out of which 50% is being exported (Parnham, 2017). Yunnan and Hainan coffee beans are bought by major producers of coffee, such as Illy, Lavazza, Nestle.

Even if China is the motherland of the consumption of tea, coffee is gaining in popularity and emerging as a new foreign luxury (Hanson, 2015). At the beginning, in

the 90s, coffee was purely consumed by Chinese élites (Seinera, 2013). Recently, it also reached other segments of the population, people who love relaxing whilst drinking a coffee at one of the many cafés present in China. Indeed, coffee bars are places where to chat and relax (Almeida *et al*, 2017). As aforementioned, coffee is considered a premium product in China, a luxury. One of the reason is because of coffee price: a cup of coffee in a foreign coffee chain is about 30RMB, more or less 3.80euro, which is equal to an entire takeout meal in China (Hanson, 2015). Considering that in 2015 the average wage in China was only 5270RMB (681,06euros) (as shown in table 9), the prices made drinking coffee in a foreign café a luxury for many. However, as income grows, coffee consumption has been becoming widespread and more affordable. In China, high price policy is adopted because expensive the price of a product, the better is the quality perceived by Chinese consumers. Therefore, high prices have become sign of quality in China. Chains adopting this price policy want to position themselves as premium chains (Duggan, 2015).

[1]

Table 9. China average yearly wages (www.tradingeconomics.com)

Talking about the type of coffee preferred in China, statistic shows that instant coffee is still the preferred one, especially the three-in-one: a contained filled with granulated robusta, powdered creamer and sweetener. In fact, 98% of coffee purchased in grocery store was instant coffee (Wilhelm, 2016). Recently, craft coffee and coffee shop culture started to be appreciated and have begun to catch on. The market for fresh, high-quality Arabica beans is still expanding. Chinese consumers have been becoming

[1] 1RMB corresponds to 0.13 Euro on 8th June 2018

more and more discerning and quality-conscious lately. Coffee industry is contributing to develop the market via education and sharing coffee knowledge (Parnham, 2017). In accordance with this, some pioneers of coffee culture in China opened some schools specifically to spread this culture, for example Illy coffee university.

In addition to this, Chinese consumers have access to a great variety of coffee, which is available especially in big cities (Rapp, 2018). The availability of a greater variety of coffee, thanks to e-commerce portals and internationalization, the expansion of American and Korean coffee chains and the willingness to try something new and exotic are all factors behind coffee trend (Comunicaffè, 2006). According to Duggan (2015), the diffusion of coffee in China is to be associated with the rapid urbanization and the increasing percentage of Chinese travelling overseas.

Nowadays, China is the country with the fastest coffee market growth: 15% of annual growth, which is sevenfold faster than the global annual growth (about 2% per year). In first tier city, like Beijing, the annual growth is even faster, reaching 18%. Despite this rapid growth, a Chinese only drinks five cups per year on average (China Briefing, 2014). But the consumption of coffee varies significantly by region: for instance, Hainan citizens consume 200 cups of coffee per year. Most of the coffee sold in coffee shops in China is produced with imported beans. However, as already mentioned, China has its own production of coffee, most of which is settled in Yunnan (Duggan, 2015). Coffee also grows in Hainan and Sichuan but Yunnan produces more than the 80% of China's total production. More than half of beans produced in Yunnan are exported. Between 2012 and 2013, the harvest was 82,000 tons, out of which 50,000 were exported abroad. Coffee market in China is still growing and expanding. Nowadays, coffee beans produced in Yunnan are sold directly to New York's Starbucks, in the meantime imports from ASEAN countries from China are designed to strengthen economics relationships. In fact, even if China is becoming more and more self-sufficient, still, it keeps importing coffee beans from: Vietnam (23,2 million dollars in 2013); Indonesia, a new entry with a growth of exports to China by 553,5% (7,2 million dollars) and Korea (10 million dollars) (China Briefing, 2014). The coffee market growth seems to be unstoppable (Hanson, 2015).

Coffee has been fascinating Chinese urban upper middle-class consumers because it represents the Western lifestyle, whereas tea is perceived as the traditional beverage (Scarane, 2015). A café is more than a place where to chat or eat: it has become

a place where Chinese consumers like drinking a good cup coffee while enjoying the Westernized and relaxing atmosphere. One of the main reasons bringing Chinese consumers to cafés is meeting with friends (65%), followed by working and business conversations (Coffee tea & Ice cream magazine, 2016).

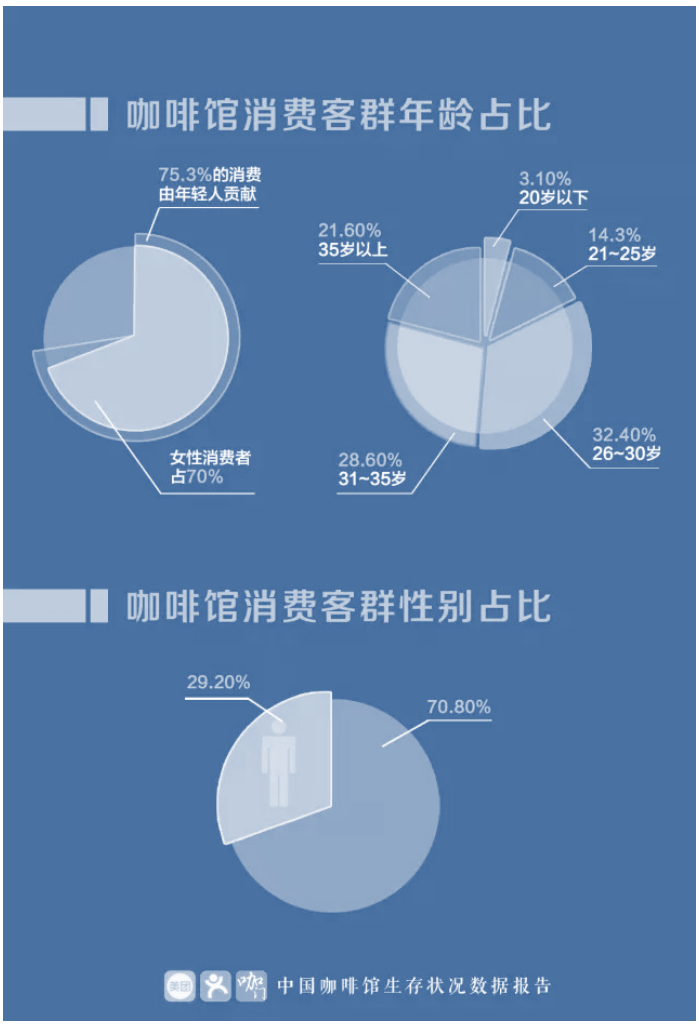

Table 10. Gender and Age group of Chinese consumers drinking coffee (Mi, 2017)

According to Mi's (2017) report on the existing situation of coffee market in China, women account for the 70,80% of coffee consumption, whereas men only constitute the remaining 29,20% of coffee market. The pie chart on the left shows that 75,3 % of consumers are young people, aged between 20-35. More precisely, the pie chart on the right shows that people aged between 26 and 30 are the biggest part of coffee market (32,40%), followed by people who are 31-35 years old (28,60%), then over 35 (21,60%), people aged 20-25 (14,3) and, in the end, the smallest part of the market is made of under 20s (3,10%). The so-called balinghou and jiulinghou, people from the

80s and 90s, occupy the majority of the market and are the main age group consuming coffee. This age group is likely to get bigger in the future, in fact it is expected to reach more than 250 millions of people by 2030 (Mi, 2017).

3.2 Coffee market in China

During the 1980s, the first foreign coffee brands were introduced to China, thanks to Nestle and Maxwell House, which have played a relevant role in creating a retail lead in China's coffee culture. Retail supermarkets and then cafés appeared for the first time in first-tier cities (such as Guangzhou, Wuhan, Shanghai, Beijing and Chengdu) and in southern provinces like Yunnan, Hainan and Fujian. Nestle and Maxwell House were the vanguard of Western companies to enter the Chinese market. They invested heavily in marketing and production and they saw an early return of their investments (Dharmananda, 2003). Nowadays, the retail supermarket and convenience store instant coffee market is dominated by Nestle, Nescafe and Maxwell House.

The first coffee chain that appeared in the Chinese market was the Taiwanese Uegashima, which opened its first café in 1997 at Haikou (Comunicaffè, 2006). On the other hand, the first Western chain to branch out to China was Starbucks, opening a new branch in Beijing in 1999. Starbucks rapidly became the leader of the market thanks to the cleanliness of the stores, the product quality and its capability to create a "third place", in addition to home and the workplace, where Chinese could spend the day. Starbucks contributed to the coffee revolution that took place in the country.

The strategic decision of adapting the business model to Chinese culture specificities was the key to success. Indeed, Starbucks didn't try to impose its American business model, but entered the market adapting. In addition, Starbucks was the only shops with air conditioning in the 90s making it the best place both for businessmen and common people. Another reason for Starbucks success is its strong presence on social media: on Sina Weibo it is known with the nickname "Papa Star" (星爸爸). In fact, the trend of consuming coffee is reflected in social media (Hanson, 2015). Netizens on Weibo post pictures while drinking a cup of coffee with the brand in the foreground. The main reason for posting pictures of cups of coffee is because it symbolizes having a trendy lifestyle. Nowadays, people can find Starbucks almost everywhere, especially in big cities like Shanghai and Beijing.

The coffee market is also dominated by other foreign franchise chains: Starbucks, Costa Coffee, UBC, McDonald's, C Straits Café, etc. In 2013 only the 4% of the market share was occupied by smaller coffee shops. In the same year, Starbucks was the leader of the market with a market share of 31,5%, as shown in the pie chart below (Table 11). In 2016 it occupied the 60% of the coffee market (Wilhelm, 2016) and it plans to open over 3,000 stores by 2019 (Duggan 2015).

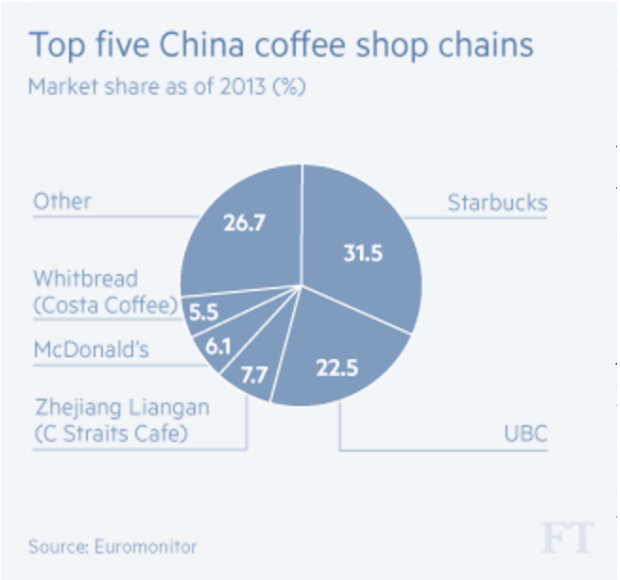

Table 11. Coffee shop chains in China
(Euromonitor, 2013)

Costa too is widely present on the Chinese market and plans to expand to 900 stores by 2020 (Hanson, 2015). Nevertheless, most of coffee shops are only present in first and second tier cities, as the rural areas are still experiencing less income growth and less influences from the West. These low-income provinces, in fact, cannot afford to import coffee, which is too expensive for them. Even in Shanghai, Beijing and Guangzhou, the yearly coffee consumption remains low: 30 cups per capita. In fact, coffee remains a luxury good associated with a premium lifestyle. Visiting the previously mentioned foreign coffee chains and others represents a social status and fashionable experience (Parnham, 2017). In general, coffee is still seen as an unusual foreign beverage (Wilhelm, 2016). The more expensive a cup of coffee, the bigger of a status symbol it becomes, which makes coffee highly desirable by Chinese consumers.

Some luxury firms have seen the potential of coffee to be considered as a luxury good in China, and therefore decided to offer coffee inside their shops, trying to better reach consumers; some examples are Moleskine Café, Joseph, Vivienne Westwood Café,

Kiehl's Coffee House and Mercedes me (Rapp, 2018). More recently, aside from American and European branches, South Korean chains entered the Chinese market, becoming immediately big players (Hanson, 2015). These Korean brands had an explosive growth. For example, Caffè Bene, which arrived in China in 2012, opened more than 400 stores in two years. Other brands are, Maan Coffee and Tous Les Jours. The boom of Korean brands is due to the popularity of Korean pop music and Korean dramas in China. Visiting Korean coffee shops is like going to the same places as young Chinese people's idols and experiencing Seoul luxurious and modern lifestyle. Coffee quality has no importance when compared to the coffee store's ambient and experience.

However, despite the initially rapid growth of Korean coffee brands Korean chains are declining. The decline is justified by their failure in reaching the target of white collars. Moreover, the explosive growth caused the inefficiency of main operations and the lack of standardization of the offerings. In the meantime, Starbucks introduced its Reserve Roastery in Shanghai in 2017 aiming to attract coffee lovers and bring them a new in-store experience: consumers can see coffee roasting, packaging and brewing process and view augmented reality-powered digital menus and the details of each bar. This is possible through Alibaba's Taobao mobile app.

3.3 Italian coffee brands in China

Despite the predominance of American and Korean coffee brands, some Italian coffee brands also exist in the Chinese market. Italian coffee brands are still few compared to the multinational coffee companies. However, without US and Korean multinational chains educating the Chinese market to coffee consumption, it would have been impossible for Italian coffee brands to educate the huge Chinese market (Pontiggia & Vescovi, 2015). Even though American coffee culture has first been transmitted to Chinese consumers, Italian coffee brands have been trying to communicate them Italian coffee culture in the last decades. According to Zhang (2012), Italian coffee brands have been attracting more Chinese people. Despite the fact that a cup of Italian espresso was considered too small for Chinese consumers who wanted to spend their whole afternoon drinking it, people recently started to appreciate and enjoy the flavor of authentic Italian coffee. In fact, the size of a cup of espresso was a problem for Italian coffee brands, because according to the Chinese mindset, quantity was directly proportional to quality,

whereas in Italy, it is exactly the opposite. In the last few years, given the growing quality-consciousness of Chinese consumers, the size of the cup has not been a problem anymore. After multinational chains, as first players of the market, have prepared the ground for coffee diffusion through big investments, Italian coffee companies took advantage of these chains' experience and started to gain ground opening stores, brand owned coffee shops and branches. Nowadays the Chinese market is more acquainted to coffee; therefore, it is possible for Italian companies to address consumers' new demands and offer a higher-quality product at a higher but still acceptable price (Pontiggia & Vescovi, 2015).

3.3.1 Overview

Three coffee firms were interviewed during the research: Hausbrandt, Illy and Miscela d'Oro. The interviews with Fabrizio Zanetti (Hausbrandt) and Kitty Wei (Illy) were conducted by email, respectively on 18th April 2018 and 8th March 2018. The former was in Italian and the latter in English. The Interview with Eliana Ferrara was conducted on 10th May 2018 by mobile phone in Italian. Table 12 presents the description of the main data.

Logo	Name	Chinese Name	Date of establishment	Headquarter	Date of entry in China	Annual turnover	n. employees	Precence in foreign countries
	HAUSBRANDT	浩世咖啡 **(hàoshì kāfēi)**	1892	Trieste	2006	98 millions EUR (2017)	500	90
	ILLY	意利咖啡 **(yìlì kāfēi)**	1933	Trieste	2001	467 millions EUR (2017)	1.269	140
	MISCELA D'ORO	**X**	1946	Messina	2018	8 millions EUR (2016)	34	50

Table 12 Italian coffee firms' overview

3.3.2 Hausbrandt

The brand "Specialità caffè Hausbrandt" was founded on the 15th November 1892 by Hermann Hausbrandt. Hausbrandt was the first company offering products processed and packaged in sealed metal containers at the plant of production. After a series of acquisitions, which took a decade, in 1988 the brand was incorporated into the company's holdings. Martino Zanetti, at that time, skillfully managing the company, relied on the close connection between tradition and modernity. Under his guidance, the product research and the analysis labs were updated with the most recent technology. Martino Zanetti and Hausbrandt Trieste represent today the excellence of "Made in Italy". Today, the headquarter of the company is in Nervesa della Battaglia, in north-eastern Italy. Hausbrandt has a vast distribution network, being present in more than 90 countries, including China. It sells directly to Austria, New York and Slovenia. It actually serves almost 25,000 points of sales. In 2017 the company annual turnover was 98 millions and its employees now amount to 500. Fabrizio Zanetti, after a decade operating inside the company, in 2017 became Chairman and CEO of Hausbrandt. He is optimistic about the prospects of the company.

Hausbrandt has been cultivating a history of passion and quality, in order to fill every single cup of coffee with enjoyment. Hausbrandt has chosen to reach customers through skillful barmen, that are trained to offer the best experience when sipping a cup of coffee. The continual pursuit of excellence characterizes Hausbrandt history and is its key to the success. The company hold a relevant position in the coffee business both in Italy and internationally.

Hausbrandt entered the Chinese market in 2006, opening a flagship-store in Qingdao. Today, the Hausbrandt distribution network in China comprehends Shanghai, Shenzhen and Hong Kong, which is also used as a connection to close-by provinces.

3.3.3 Illy

Francesco Illy, a Hungarian man who came to Italy during World War I, started his business in 1933. First, he opted for both coffee and cocoa, later he decided to focus exclusively on coffee, and that is how Illycaffè was officially born. Francesco Illy, who was constantly searching for quality and innovation, in 1935 invented the first

automatic coffee machine, Illetta, which revolutionized coffee consumption patterns. He also discovered a new packaging system: pressurization. Indeed, the keys to the success of Illycaffè are its know-how and passion for art, reflected by its cup of espresso.

Illycaffè is present in more than 140 countries, Its annual turnover in 2017 was 467 million euros (Naso, 2018). The company's operations (roasting, processing and packaging) are located in Trieste. Illycaffè S.p.A belongs to the family holding Illy Group S.p.A, which also controls 100% of Domori, a chocolate company, 77% of Dammann Frères (French tea company settled in Orgeval) and 100% of Mastrojanni. Innovation-orientation of Illy is reflected into its Research & Technological Development department. A relevant project of Illy is the University of Coffee, a training center present in more than 20 countries all over the world; among these, the Shanghai University of Coffee is one of the most recent. It aims at spreading coffee culture and Italian espresso all over the world, and at transmitting their knowledge to baristas through training. Moreover, Illycaffè aims at turning the consumption of coffee into a ritual, centered around the importance of feelings, art and design. In fact, all Illy initiatives reinforce the idea that drinking coffee is an aesthetic and sensorial experience. The company entered Chinese market in 2001 through a Taiwanese distributor. Then, it became a subsidiary in 2006. Illycaffè Italy and this Taiwanese distributor both have shares, but in 2012 Illycaffè Shanghai became wholly owned subsidiaries of Illycaffè Italy. In 2012, Illycaffè also opened the first Coffeehouse in Beijing.

3.3.4 Miscela D'Oro

Miscela d'Oro is a third-generation family business, started in 1946 in the heart of Messina, a city in the north of Sicily. The founder is Umberto Urbano who, with the help of his wife Emanuela, began roasting a small amounts of coffee. From the beginning, the fundamental rule was to choose the highest-quality raw beans. The technical knowledge and sensitivity towards customers' needs, together with the constant pursuit of premium coffee made the transformation from an artisanal workshop to a small family business possible. In the 1970s, Francesco Urbano, Umberto and Emanuela's son, joined the family business. Francesco Urbano helped the family business to expand their

distribution network, especially the national level markets like local shops and various supermarket. Specific new product lines suitable for these channels of distribution were created. Among them the blend "5 Miscele" became the first big success of the firm. "5 Miscele" was the first product to be advertised and communicated through marketing and advertising operations.

In 1990s, the third generation of the family business improved the commercial strategies and started to look at the international coffee market. During this period the company's image was restyled and the logo slightly changed, the packaging redesigned in order to reflect the new ambitions of Miscela d'Oro towards the international market.

Today Miscela d'Oro is present in almost 50 countries, exporting more than 50% of its production with an annual turnover of 8 millions euro. The small artisan shop of Umberto Urbano has been transformed into a dynamic business, determined to be among the top leaders in the global coffee business.

Along these years, Miscela d'Oro has been ready to answer to evolving consumers' needs and wants with new products. Meanwhile it continued to focus on quality and consistency of the taste and aroma which are appreciated all over the world. Quality, elegance, and simplicity are the company's basic rules to offer an excellent coffee to customers. Talking specifically about China, Miscela d'Oro has been testing the Chinese market for five years recognizing its great potentials and barriers to entry. Meanwhile it has been dealing with new distributors in Shanghai and taking part to trade fairs.

3.3.5 Results of interviews with firms

Thanks to the availability and kindness of Fabrizio Zanetti, Kitty Wei, and Eliana Ferrara, it was possible to analyze the coffee market in China from a managerial perspective. Interviews held with them can be found in the appendix. In this paragraph, their answers will be interpreted and compared to gather multiple insights on coffee companies in the Chinese market. Certainly, the interviewees' different role inside the company has to be taken into account: Fabrizio Zanetti is CEO and Chairman of Hausbrandt, Kitty Wei is key account manager at Illycaffè and Eliana Ferrara is the PR manager of Miscela d'Oro, also in charge of marking and communication global operations.

Entry mode into the Chinese market

As aforementioned and confirmed by the interviewees, companies entered the Chinese market in different moments. Illycaffè entered the Chinese market in 2001, Hausbrandt in 2006 and Miscela d'Oro has been testing Chinese market for 5 years and is now entering the Chinese market. The date of entry has to be considered given the big changes China has gone through in the past years. In fact, Illycaffè entered a market which was completely different from the actual Chinese market Miscela d'Oro is entering. Even though these companies have different histories and backgrounds and they differ greatly in other aspects, however, some similarities can be found.

All of them recognize that the international trend towards coffee consumption, particularly boosted by MNC like Starbucks, helped to prepare the market for their entrance by spreading coffee culture and knowledge. Fabrizio Zanetti (Hausbrandt) states:

> *"This path has actually been made easier for us by an increasingly popular international trend that consists of the integration of the two hot drinks par excellence, tea and coffee."*

Eliana Ferrara (Miscela d'Oro) explains:

> "*Certainly, the massive presence of Starbucks made Chinese consumers know more about the pleasure of drinking coffee, even if it is American coffee and not espresso. This gave us the opportunity to approach the concept of espresso".*

Kitty Wei (Illy) argues that:

> *"Chinese people acquainted with coffee through instant coffee from Nestle at the earliest period, later they acquainted with the coffee knowledge through Starbucks coffee that is real coffee."*

In addition, Illy and Hausbrandt agree with the fact that the increasing number of Chinese people traveling to Western countries enhanced coffee appreciation.

In fact, Kitty Wei (Illy) adds:

> *"Nowadays Chinese people start to travel all around the world and they have the strong ability of accepting new things, so it is true our clients are more and more acquainted with Italian coffee through travelling in western countries."*

Fabrizio Zanetti (Hausbrandt) confirms this view, stating that:

> *"The increasing number of tourists and the steady growth of business trips has favored this process especially through hotel chains. This boosted the diffusion of coffee as a drink and the beginning of some initiatives by restaurants, which encourage the consumption of coffee as a substitute for traditional drinks."*

Illy, Hausbrandt and Miscela d'Oro all represent "made in Italy" and Italian espresso all over the world. Miscela d'Oro entered the market starting from a distributor in Taiwan, as did Illy in 2001. Whereas Hausbrandt started with a flagship shop in Qingdao.

However, the actual situation of the companies in the Chinese market is completely different: Hausbrandt has distributors in Shanghai, Shenzhen, and Hongkong; Illycaffè has a subsidiary in Shanghai, a branch-office in Beijing, 24 sub-dealers around China and sales point in 1 and 2 tier cities; Miscela d'Oro is present in Taiwan through a distributor and is testing Shanghai through the collaboration with other distributors. Eliana Ferrara (Miscela d'Oro) declares:

> *"Not yet present in the Mainland China market, except through tests that we are doing on the market with distributors, mainly located in Shanghai. Here there are ongoing negotiations that we hope will continue with success."*

Miscela d'Oro, now entering the Chinese market, found it to be less responsive than other markets. Eliana (Miscela d'Oro) thinks this is associated the cultural gap, therefore she adds:

> *"The Chinese market responds less quickly than other markets. This is because there is a cultural distance in the approach to business, such as extending the*

negotiations as much as possible to understand each other better. Therefore, in order to reduce this cultural gap we need to spend more time on China than on European, Arab or even American markets."

Chinese coffee market

Not only their situation in the market is different, but also their opinion on the Chinese market are quite divergent: Hausbrandt views the market as a more and more sophisticated one, composed by people searching for enriched experience, therefore they have been developing a concept focusing on the experiential aspect of consumption, as emerges by Fabrizio Zanetti's (Hausbrandt) answer:

"Currently we have distribution structures in Shanghai, Shenzhen and Hong Kong as HUB for neighboring areas. Together with these partners we are developing a concept that enriches the consumer experience in favor of the public which has become increasingly sophisticated and demanding."

According to Eliana Ferrara, from Miscela d'Oro, China is still in a transition moment from the American coffee to the Italian espresso, which is still not 100% appreciated by Chinese consumers, that are rather attracted to the product because of their curiosity. She argues that:

" Today, Chinese generally know what an espresso is; maybe they do not 100% appreciate it but they know it and are intrigued. I believe that in a few years the knowledge of the Italian espresso will be a concept shared by everyone."

Illycaffè highlights the lack of adequate knowledge to distinguish a high-quality Italian coffee from local one. This lack of knowledge makes consumers, in the case of B2C, hotels, and restaurant, in the case of B2B, more sensitive to price. In fact, Kitty Wei (Illy) emphasizes that:

"Anyway, they drink Starbucks coffee in big cups, so they don't know what Italian coffee is and what a good coffee means. They don't drink Espresso because they don't understand what It is, they don't understand which is the difference between

local roasted coffee beans and Illy coffee, they only care about the price and Illy does not have competitive advantage because Illy is a luxury coffee brand."

Kitty Wei's (Illy) opinion is confirmed by Pontiggia and Vescovi (2015), who argue that Chinese consumers, as opposed to Italians, think quantity is directly proportional with quality. Therefore, they would rather buy a big cup of coffee, which has almost the same price of the small cup. Consumers not distinguishing the quality of the products would choose the big cup for the same price. This is an example of Chinese consumers price sensitivity due to lack of knowledge. Therefore, it is true that Chinese consumers still don't entirely appreciate coffee, but it is also true that they seek coffee consumption experience and elicited emotions. Even though these companies opinion seems to be quite different from each other, however, none of them is wrong, they are just focusing on different aspects of the Chinese market, which can be sometimes contradictory. However, they agree with the fact that coffee is mainly consumed outside home, especially in restaurants, cafés, bars and so on, as shown by their answers to the question "Is coffee viewed only as something consumed in public? Is there the possibility that in the future coffee will enter Chinese houses?":

Eliana Ferrara (Miscela d'Oro) answers*:*

"Chinese don't drink coffee at home, but outside, in restaurants, coffee shops, on the street".

Fabrizio Zanetti (Hausbrandt) explains the reason of the preference for consumption outside home saying that:

"Basically, since coffee is a trendy product and a social link, and so it is mainly consumed outside rather than at home. However, China's territory is huge, composite and multifaceted, and for these reasons, the consumption of coffee at home is not a secondary phenomenon, especially in urban areas, which are more exposed to internationalization."

Kitty Wei (Illy) agrees with their views, affirming that:

"Nowadays in my opinion coffee is viewed only as something consumed in public but for sure there is the big possibility that in the near future coffee will enter into Chinese houses."

Positioning and target

Hausbrandt, Illy, and Miscela d'Oro wisely positioned themselves at a high-medium segment of the market. Indeed, as aforementioned, coffee is still viewed as a luxury good, not affordable daily by ordinary people. Moreover, Chinese people think that higher is the price higher is the prestige associated with coffee, making it more desirable. Interviewees were also asked about what was their target of the clients. Hausbrandt and Illy segmentation of the market happens at the B2B level, which means hotels, restaurants, coffee shops, etc. Whereas Miscela d'Oro argues that it is quite difficult to identify a high-medium target of clients since middle-class is rare in China.

Product

Talking about product policies of the companies. All of them didn't adapt their product to local taste, but enjoy a good degree of flexibility to better satisfy the evolving needs of the market. In fact, Illy and Hausbrandt own a width assortment of product and a high depth of their product line. Meanwhile, Miscela d'Oro is flexible thanks to its capability to modify the degree of the roasting, this way making possible to choose among a strong, medium or light taste.

Communication

What seems to be essential to this research study is the communication strategy implemented by these companies. In fact, Hausbrandt, Illy, and Miscela d'Oro approaches are totally different: Miscela d'Oro manages all its communication tool from the headquarter and implements globally standardized communication strategies. Its communication tools are only Facebook and Instagram. Eliana Ferrara (Miscela d'Oro) explains this choice:

"We often post on social media and we focus more on communication on specialized magazines. This is due to the fact that our company is oriented towards foreign markets and to a global distribution of the product. For this reason, we try to invest

our budget on communicating with distributors. We allow distributors to carry on communication strategies geared towards the consumers to increase brand awareness on site. We use Wechat as a means of interpersonal communication, not for marketing purposes"

Miscela d'Oro, indeed, decided to focus on the internal communication with importers and distributors by offering supports for marketing and communication and by appearing on coffee specialized magazines.

Hausbrandt also assigns lots of importance to specialized magazines, but it lets communication strategies be directly managed by importers. Fabrizio Zanetti (Hausbrandt) explicates:

"*Marketing activities in every specific market are demanded by the importers. These consists of actions of trade marketing and not exactly communication strategies. Specifically, our client has advertised its activities on specialized magazines, therefore our brand was advertised on these media."*

Illy, on the contrary, gives a global guidance for marketing strategies, but at the same times, there is a marketing department in Shanghai which adapts marketing strategies to the local context after asking for permissions to the headquarter. Aside from Facebook and Instagram, Hausbrandt and Illy are also present on Chinese platforms. Illy has an official account on Wechat and Weibo directly managed by the marketing department in Shanghai, it also has its own Tmall flagship-store, whereas Hausbrandt is sold on the Chinese e-commerce websites JD.com and Taobao, which are managed by the importers. Both of them chose the most popular platforms in China. In the following table (13), these firms main choices has been collected and reorganized to give a fast overview.

	HAUSBRANDT	ILLY	MISCELA D'ORO
ENTRY MODE	Direct (Flagship-store)	Indirect (Taiwanese distributor)	Indirect (Taiwanese distributor)
PRODUCT	Standardized	Standardized	Standardized
COMMUNICATION MANAGEMENT	Decentralized	Centralized	Centralized
COMMUNCIATION STRATEGIES	Adaptation	Adaptation	Standardized
COMMUNICATION TOOLS	Specialized magazines, JD and Taobao e-ecommerce sites	Specialized magazines, Wechat, Weibo, Taobao	Specialized magazines, Instagram and Facebook

Table 13. Firms' Internationalization and marketing strategies in the Chinese market

Thanks to the interviewees' answers, it has been possible to come down to earth and put aside theory for a while, by focusing on how these companies faced and are facing the Chinese market challenges. Their choices sometimes converged, other times diverged. All of them are relevant to this research as examples of multiple possible scenarios. In the next paragraph, the focus changes: consumers become protagonists and coffee consumption is analyzed from their perspective. Once the results of the research will be shown and discussed, the managerial implications of the results will be examined. These may be of particular interest to companies which are entering the market or are still facing problems related to this topic.

3.4 Research study: Coffee on Weibo

The present research explores the reasons for coffee consumption using a social media which is extremely popular in China: Weibo. Weibo serves as a medium for communicating about coffee consumption by sharing texts and/or images. In fact, Weibo gives the possibility to share moments of the day or ideas with friends and interact with them by liking their posts or following their profiles.

This research main purpose is to understand motivations behind coffee consumption by coding texts posted on Weibo about the act of "drinking coffee". Weibo has been chosen because of its popularity and its great number of users, which in 2017 reached 340 million active monthly users (CIW Team, 2017), overtaking those of Twitter (BBC News, 2017). By analyzing users' info and posts' content it is possible to throw light on not only the reasons for drinking coffee but also on reasons for posting it.

Aside from these research purposes, data collected could be useful to extrapolate new consumption patterns and consumers' profiles info. Therefore, this research could be the starting point for further research on this topic from a different perceptive.

In light of the literature on hedonic and utilitarian aspects of consumption that has been previously reviewed, I wish to uphold the thesis that coffee consumption in China is mainly driven by hedonic motivations. Therefore, the antithesis will be that Chinese consumers drink coffee for utilitarian motivations. In order to support this thesis a qualitative research study has been implemented by coding the collected data. Indeed, coding is a way to analyze qualitative data. Coding method is appropriate to this particular research project, because a code can be a "critical link between data collection and their explanation of meaning" (Saldaña, 2013, p.3). The method used for this research will be explained in detail in the next paragraph.

3.4.1 Method

Research platform: Weibo

As aforementioned, the platform on which this research project is based is the well-known Chinese social media Sina Weibo. Given that in Western countries Weibo is mostly unknown, before explaining how this research has been carried on, a presentation that explains how this social network works is necessary.

Sina Weibo (新浪微博, Xīnlàng Wēibó) is China's biggest social media that was launched in 2009 by SINA Corporation. Weibo literally means "micro-blog". Indeed, Sina Weibo is a microblogging social network, which is equivalent to Twitter, which is censured in China. However, there is a difference in the content shared on Weibo and the one shared on Twitter: on Weibo trends are created through retweets of media content, whereas on Twitter trends are more about current global events and new

stories, Weibo users publish more often than Twitter's users and disclose more personal information; Weibo users also seem to be more active than Twitter users.

Weibo had had an immediate success: only after three years after its creation it already had 503 million registered users (Koetse, 2015). Given that China holds 640 million internet users, a significant majority of Internet users is registered on Weibo. Monthly active users in 2017 were 340 million: 85% of them use Weibo on mobile devices, 70% of users are university students. Moreover, male and female presence on the social network is equalized, occupying both the 50% (Koetse, 2015). Weibo is merely used by Chinese-speaking users. Its main functions are:

- Sharing posts, videos, images, links
- Searching information
- Following trends
- Following opinion leaders
- Gaming activities
- Following brands
- Searching promotions

About the first function, Weibo has a limit of 140 character per post. Moreover, the follower-followee relationship is unidirectional, because one can follow a profile to be able to read its posts (weibos), like and share them, without being followed back. Profiles on Sina Weibo include info about the user's name, a brief description of the user, number of followers and followees and the number of tweets made. There are two kind of users on Weibo: regular users accounts and verified user account. More than 60,000 verified accounts consist of celebrities, stars and well-known organization.

Most of Weibo users live in China and post in Chinese language, therefore taking Weibo as platform for this research project appears to be the most appropriate choice. In fact, in China, social networks are the main platform for the youth to gather information and make friends (Yu, Asur, & Huberman, 2011). In addition, Yu *et al.* (2011) argue that social networks are a relevant part of Chinese Internet culture.

Data collection

The criterion used to collect data on Sina Weibo was to choose a keyword/phrase in order to find all the posts containing that word/phrase. In fact, Weibo, as Twitter, allows

to use hashtags to highlight keywords of a text. The phrase chosen was "喝咖啡" (Hē kāfēi), which means "drink coffee". It was necessary to add the verb "drink" to limit the number of results and to focus more on the act of drinking coffee. In fact, the results coming out by using only the word "coffee" concerned the beverage itself and not the consumption of it.

Posts with the phrase "喝咖啡" (Hē kāfēi) "drink coffee" have been copied on an Excel file and analyzed almost every day for more than one month (from 1st November to 6th December 2017). Given that the posts were updated daily, the date of the data collection coincides with that of the posts. The total amount of posts to be considered in the analysis is 200.

The content has been translated from Chinese into English. Next, pieces of information such as number of retweets, number of comments, number of likes have been taken into consideration and added to the Excel table. The information about the users' profiles has been collected as well: name of the user, gender, age, home town, number of followers and followees and number of weibos. The content of the posts has been described, specifying the tone of voice, the usage situation, the presence of any photos or images, the name of the brand of coffee, if shown, and the social context (if the Weibo user is with friends, a partner or alone). A column named "others" was added in case of need for further relevant information about the post or the user himself/herself. As previously mentioned, these data could be a starting point for further research about coffee consumption in China, focusing on other aspects of consumption, the consumers' profiles or aspects concerning the use of the different functions of the social network.

Data analysis: coding

After all the data needed was collected, the data analysis was implemented. Coding is one way of analyzing qualitative data, which can consist of interviews, transcripts, journals, documents, drawings, artifacts, photographs, internet sites, email correspondence and so on (Saldaña, 2013). In this case, the qualitative data that were analyzed through coding consist of the content of Weibo posts.

Coding suits this research since it enables capturing the essence of the posts, facilitating the development of categories and the analysis of their connections. Indeed, coding makes it possible to organize and group coded data together into categories based on shared characteristics. Saldaña (2013, p.3) defines a code as "a word or short

phrase that symbolically assigns a summative, salient, essence-capturing, and/or evocative attribute for a portion of language-based or visual data". Specifically, in qualitative analysis, a code is a construct generated by the researcher that attributes interpreted meanings to data for later purposes such as categorization, theory building and so on. A code must capture a datum's content. Nevertheless, coding is only the first step towards a deeper analysis. Coding serves as a link between the data and the idea. The coding process has been repeated twice. In fact, Saldaña (2013) argues that coding is a cyclical act: most of times several cycles of coding data are needed for a better analysis. In this specific case, two cycles of coding were enough. Thanks to these two cycles of coding, it was possible to codify the data, which means to segregate, group, regroup and link them in order to consolidate meaning and explanation.

3.4.2 Results

After the coding process was completed, the resulting codes have been categorized. Categorizing is defined as getting up from diversity of the data to their shapes (Saldaña, 2013). Every single code has been compared to each other in order to identify differences and similarities; the resulting categories that emerged were "hedonic" and "utilitarian". Indeed, as demonstrated by previous literature, food consumption may be driven by either hedonic or utilitarian motivations.

3.4.2.1 The most frequent codes

In the following table 14, all the codes that came out from the research are disclosed. The table shows the frequency of every code and an example of it, in order to clarify their meaning. Some codes appeared more than once: the most frequent is "sharing", repeated 32 times, followed by "negative health effect" and "right time to drink coffee" (both 19 times) and "gives energy" (12 times).

n.	CODES	FREQUENCY	EXAMPLE
1	ADDICTION	6	原来咖啡也会上瘾，哈哈，不喝咖啡不开心可咋办 Actually coffee can make people addicted, ahahah, If I don't drink coffee I'm not happy! How can I do?
2	BEAUTY	2	听说长得好看的人都爱喝咖啡 I heard beautiful guys love drinking coffee.
3	BRAND RELEVANCE	1	全身上下仅有的两百资产，然而还是要喝杯咖啡，中了马爸爸的毒，“我不喜欢喝咖啡，但是我喜欢星巴克” Even if I had just 200 assets in total, I wanted to drink coffee in any case. I got the mum and dad's virus "I don't like drinking coffee, but I like Starbucks".
4	COOL	1	听说现在流行晚上喝咖啡吃早茶？ I heard now it's cool to drink coffee at night and eat morning pastries.
5	DAZED	3	人家喝咖啡提神醒脑，我每次喝完咖啡神志不清，外加莫名兴奋 My family members drink coffee and feel energetic. Me, Every time I drink coffee I feel dazed and plus an inexplicable excitement
6	DESIRES	5	每天失眠还每天都在喝咖，活在失眠、脱发、失学、无业的恐慌中[骷髅] 无限死循环[吃瓜] Even if I lose sleep, I keep drinking coffee everyday. Life is in an infinite dead cycle, living with the panic of insomnia, hair loss, skipping class and unemployement
7	ECONOMIC CONCERN	1	本周第三杯咖啡，明天不喝了，挣的工资真是负担不起每天一杯啊 因喝咖啡而返贫说出来丢人吧 This is the third cup of coffee in this week. Tomorrow I won't drink another one, because my salary is not enought to afford the money I need to drink coffee everyday. I would feel embarassed to become poor because of coffee.
8	ELEGANCE	3	别人喝咖啡是一口一口的, 我是一口气干了半杯～果然是当不了精致的猪猪女孩[草泥马] Other people drink coffee sip by sip, I took a sip and I drank half a cup. As expected I cannot act as an elegant girl. Fuck
9	ENJOY	10	别人去星巴克是谈生意的，我们来星巴克真的是来喝咖啡的 Other people come to Starbucks for business affairs, I come here to drink coffee.
10	EXCITED	4	不喝咖啡就困，喝了咖啡就兴奋得想打人，很棒棒了 If I don't drink coffee I'm sleepy, If I drink it I'm so excited that I'd fight with everyone. Really cool!
11	HABITS	9	以前光棍节都是出去喝酒，今年跑出来喝咖啡[允悲][二哈] In the past during singles' day I was used to drink alcol, this year I went to drink coffee
12	HAPPINESS	9	周末 seeyou ~ 用一天的时间，远离平日的喧嚣和家务的烦杂，与好友一起美美滴，悠闲滴~喝咖啡、散散步、聊聊天；这就像是一个魔法，每到这一天的时候，灰姑娘会变成一个女人！对 ~ 那就是我们！周末女人日 ~ see you next weekend ~ The day during the weekend when I see you is a day away from the daily hustle and bustle of workhouse, spending time together with a good friend is amazing, without hurry drinking a coffee, doing a walk and chatting: this is magic, on that day a grey girl becomes a woman! this is us, the women day in the weekend! see you next week.
13	IMPORTANCE OF THE CONTAINER	4	《父母爱情》里，安杰说：我就喜欢过喝水用水杯，喝茶用茶杯，喝咖啡用咖啡杯的日子！——这个我表示严重同意[偷笑] In the movie "parent's love",Anjie says: I like to using water glass for drinking water, using tea cup for drinking tea and coffee cup for drinking coffe. I seriously agree with this.
14	IMPULSE TO DRINK	5	很久没有冲动消费，刚去咖啡馆觉得太晚不适合喝咖啡竟然买了个杯子。忙碌使我失去了判断力。 I haven't had the impulse of spending for a long time. I just went to the cafe, even If thought it was too late to drink, to one's surprise in the end I bought a cup.. I was so busy That I lost my ability to judge.

15	LUXURIOUS	2	越是工作忙，节奏越快，越是怀念过去发现那种慢悠悠晒太阳边说边笑的感觉好像显得很陌生而且很奢侈 那种坐下来闲聊八卦喝咖啡 NG 了几百次的自拍,现在的手机就是用来工作联系偶尔点个赞。都说工作就是为了生活 The more I'm busy at work, the faster is the rythm, the more I miss the past. Thinking about that feeling of leisurely basking in the sun, speaking meanwhile drinking coffee. It seems very unfamiliar and luxurious. Those selfie while sitting down, chatting and drinking a coffee. Now I use the mobile phone just for work contacts, rarely to like some posts. Everybody says work is for living.
16	MEETING OCCASION	2	鲁迅曾经说过：我没有时间，因为我把喝咖啡的时间用来跟别人约会了。 Lu Xun once said: I don't have time, because I use the time used to drink coffee for meeting people.
17	PREFERENCE	4	我最近很爱喝咖啡 Lately I really like drinking coffee
18	RELAX	5	看来是确实好久没喝咖啡 中午喝了半杯到现在居然还很清爽[允悲] It seems I haven't drunk coffee for a long time. Today at midday I drank half a cup of coffee, unexpectedly I'm still relaxed.
19	SHARING	32	带着团队的小伙伴们一起跟万科的高层领导在星巴克喝咖啡，一直喝到打烊，真是受益匪浅啊。I went with my team partners and the Vanke's executive to drink coffee at Starbucks, We drank until late with great benefits
20	SHOW OFF	2	我不喝咖啡，买了美式挂耳和速溶，都当水来喝。咖啡杯买回来也只是为了拍照。有些习惯真没必要屈从附和，做自己喜欢的事情即可。 I don't drink coffee, I bought an American instant coffee and I drank it as it was water. I bought coffee cup only to take a picture. There's no need to echo others' habits, just do what you like.
21	TASTE	7	大晚上喝咖啡，那有怎样，好喝就行~ Drinking coffee at night, no matter how, if it tastes good it's enough
22	AGE CONCERN	2	终究也还是到了喝咖啡会失眠的年纪。但是，就算失眠也别随便思考人生哈 After all, the age of drinking coffee and suffer insomnia arrived. But, even if suffering coffee don't easily think deeply about life.
23	DIETARY BENEFITS	4	本人 一个从不喝咖啡的人 实在是没办法了 只要坐下来就要闭上眼睛了 唯一开心的事 嗯我瘦了 From the point of view of a person who never drinks coffee, honestly there's no other way, sit down and close your eye. The only happy thing is that I lost weight!
24	GIVES ENERGY	12	每天都必须喝咖啡才感觉有动力。 I have to drink coffee every day to have enough energy.
25	INSOMNIA	7	今天喝咖啡太多失眠了 和博姐说还嫌我矫情 宿舍又停电了还不知道明天可不可以按时起床上班 Today I drank too much coffee, I have insomnia now. Hebo sister said I'm too argumentative. In the dormitory the lights are switched off and I still don't know if tomorrow I will be able to wake up on time to go to work.
26	KEEP AWAKE	7	现在真的是每天一杯咖啡 不喝咖啡就困得起不来 哎[哆啦 A 梦微笑] I drink coffee every day, If I don't do it I am so sleepy that I cannot wake up!
27	NEGATIVE HEALTH EFFECTS	19	一喝咖啡胃就不舒服[拜拜] 难得来一次的 As soon as I drink coffee, I feel bad. Unlikely to come again
28	POSITIVE HEALTH EFFECTS	3	从前空腹喝咖啡助消化很舒服 现上了年纪，要保重 Before When I was hungry I was used to drink coffee, It was really good for digesting. Now I'm not young anymore, I have to take care of myself
29	REFUSAL	4	为什么要喝咖啡[失望] Why drink coffee? (lose hope)
30	RIGHT TIME TO DRINK COFFEE	19	以后没啥事可不能晚上喝咖啡了 天啊，真的失眠了 [抓狂] 啊啊啊我想睡觉 No matter what, I cannot drink coffee in the evening. God! I really cannot fell asleep. I really want to sleep.
31	STRENGTH	2	还是喜欢喝咖啡 然后才会打起精神去面对自己不喜欢的事情。 I still like drinking coffee, from now on I will become stronger and face what I don't like

Table 14. Coded categories of Weibo posts

3.4.2.2 Sharing

Sharing appears to be the main motivation for drinking coffee: sharing a cup with friends, with the partner, with colleagues, clients and so on. Indeed, in the last few years, drinking coffee has become an occasion for gathering, sharing and spending time together. It became a "third place" other than home and the workplace, where to spend time and meet people. This is confirmed by previous research on Coffee tea & Ice cream magazine (2016), where it has been proved that the main reasons bringing Chinese consumers to cafés is meeting with friends, followed by working and business conversations. Quoting one of the coded posts' content:

> "I went with my team partners and the Vanke's executive to drink coffee at Starbucks, We drank until late with great benefits"
>
> "Important client, please, come to drink coffee and take the opportunity to talk about quotations."

These two posts relate to working field and shows how coffee can be used as an excuse to talk about business or spend time with colleagues.

On the other hand:

> "I just want to see you and drink a coffee together"

This post shows the willingness to share something with friends, the partner. Coffee is a means of communication, is the place in which you go looking for people and to have a chat.

3.4.2.3 Utilitarian attributes: negative and positive health effect

"Negative health effect" refers to the effect of caffeine on Chinese consumers; in fact, some Chinese people are likely to suffer insomnia or even heart palpitations after

drinking a cup of coffee. As shown by these examples of posts coded with "negative health effects":

> "I will never drink coffee again, I drank it at lunch time, But I still feel my heart beating really fast. I think coffee is not good for me. I've got arrhythmia."

> "I suddenly realized that when I drink coffee I have stomach ache, but If I don't drink it I'm sleepy."

> "Finally I experienced the feeling of palpitations and trembling hands because of coffee"

One of the most mentioned negative health effect is "insomnia", repeated 7 times. Below some examples:

> "Insomnia, I cannot sleep. Surely it's related to that cup of cappuccino before going to sleep. If I want to drink coffee again I am a stupid."

> "Today I drank too much coffee, I have insomnia now. My sister Hebo said I'm too argumentative. In the dormitory the lights are switched off and I still don't know if tomorrow I will be able to wake up on time to go to work."

Clearly, sometimes insomnia may be caused by the ingestion of a big quantity of caffeine, sometimes by drinking it at the wrong time. This is caused by the fact that Chinese people are not used to caffeine consumption, therefore some consumers are not aware of what should be the right quantity and the right time to consume it. Indeed, "right time to drink coffee" is a frequent codes, since Chinese consumers, who complain that they couldn't fell asleep, associated this effect to the wrong timing. As it has been proved by the following supporting evidences:

> "If you drink strong coffee at night it's strange if you don't lose sleep."

> "I swear, I won't drink coffee after 3 pm anymore."

> "Actually, in the evening it's not suggested to drink coffee, especially when the following day you have to go to work."

> "If you drink coffee in the evening you will lose sleep for sure."

The fact that coffee "gives energy" is another reason for consumption. In fact, this code is repeated 12 times. Looking at the posts, it is possible to acknowledged that coffee seems to be essential to workers and students who need to be awake and have enough energy to get things done:

> "Now I start to drink coffee and to work!"

> "I was not ready to start to work, so I run to drink a coffee. This garland one is the one I like the most. My friend gave it a special shape."

> "Tomorrow morning I will drink coffee, I don't have to sleep during physics lesson, in the morning I take notes, in the afternoon I write math. Come on!"

> "Why do I have to drink coffee to do extras at work?"

Coffee gives enough energy to go through the day, to "keep" people "awake", this way improving performance and resistance. These aspects of coffee consumption coincides with 3 of the 10 aspects related to food identified by Cramer and Antonides (2010):

1. gives energy
2. improves performance
3. improves resistance

In fact, coffee if drunk properly has multiple "positive health effects". Among them, Weibo users highlight its dietary benefits:

> "From tomorrow I won't eat anymore, I will just drink coffee"

Moreover, this aspect of consumption is once again confirmed by Cramer and Antonides (2010), who found out that two relevant aspects of food consumption generally are

“healthiness” and “not fattening”. This research confirms that these aspects are also important to coffee consumption.

3.4.2.4 Hedonic attributes

In any case, even though consumers seek these more functional attributes in coffee, as already cited “no one sits down to eat a plate of nutrients” (Block *et al.*, 2011, p.5). Indeed, there are Chinese consumers who “enjoy” drinking coffee and are “happy” and “excited” while consuming it. Excitement and enjoyment may be caused by coffee “taste”, “beauty”, “elegance”, its being “luxurious” and “cool”, for making them “relax” and “show off”. The previous are all codes that can be found in the table 14 all belonging to hedonic category and some examples of these codes can be found in table 13. All of them together with other hedonic motives to consume coffee are the major reasons for drinking coffee. In fact, sensory aspects of consumption, like “taste” plays an important role, since it has been repeated 7 times. Indeed, as aforementioned, taste, together with appearance and a satisfying effect result to be the most relevant aspects of hedonic goods. However, elicited emotions like “ happiness”, “excited”, “enjoy”, “relax”, “dazed”, “desires”, “impulse” appear to be overtaking sensory perception, being the major reason of consumption. In fact, as proved above, coffee is not taken for its taste or smell, but for what it represents and what emotions it elicits.

Coffee represents a “cool”, “luxurious” good, whose brand is relevant. It is associated with the concept of “beauty” and “elegance”, thus making the container (the cup) important. This view is supported by following evidences:

> “I heard beautiful guys love drinking coffee.”
>
> “Even if I had just 200 in total, I wanted to drink coffee in any case. I got the mum and dad's virus ’I don't like drinking coffee, but I like Starbucks”.
>
> “I heard now it's cool to drink coffee at night and eat morning pastries.”
>
> “Other people drink coffee sip by sip, I took a sip and I drank half a cup. As expected I cannot act as an elegant girl.”

> “When I drink coffee I remember what Lili told me: ’You should buy a coffee cup, you every day drink coffee in a normal cup.... #what'elegance”

3.4.2.5 Categorization

As aforementioned, researchers argue that consumers are mostly driven by hedonic motivations when it comes to food. This research confirms this view. As a matter of fact, after the codes has been categorized in table 15, the percentage of each category has been calculated and, as shown in the pie chart (table 16), hedonic motivations play a significantly important role in encouraging coffee consumption. In fact, hedonic motivations represent the 59% of the motivations for drinking coffee, while utilitarian motivations make up the 41%.

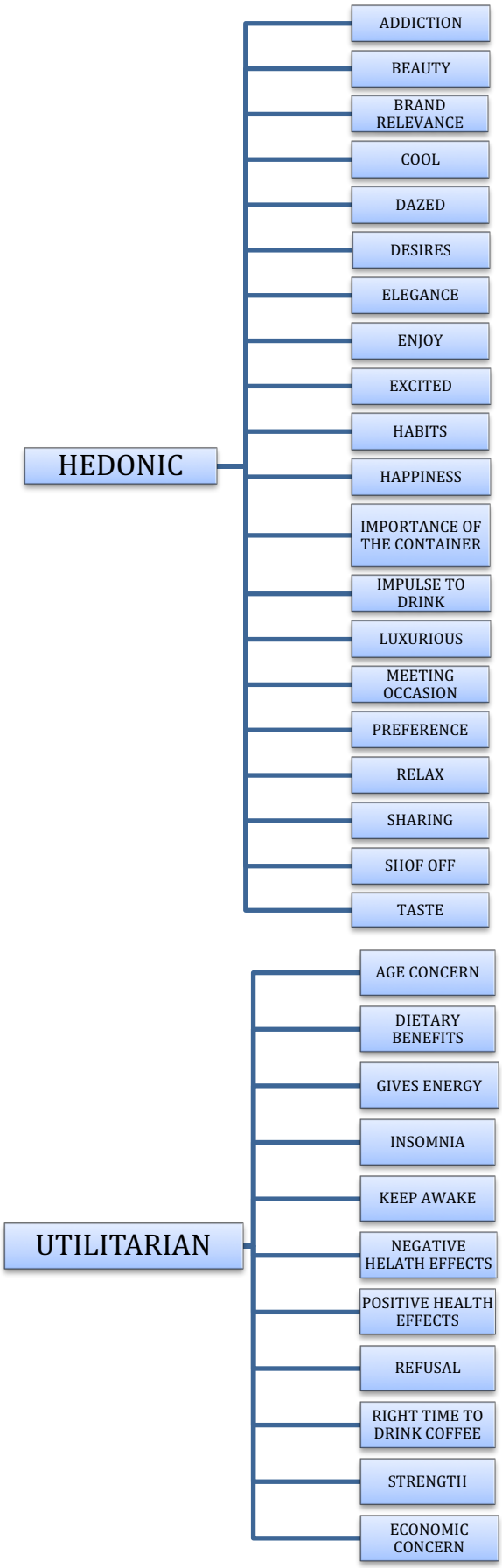
HEDONIC
ADDICTION
BEAUTY
BRAND RELEVANCE
COOL
DAZED
DESIRES
ELEGANCE
ENJOY
EXCITED
HABITS
HAPPINESS
IMPORTANCE OF THE CONTAINER
IMPULSE TO DRINK
LUXURIOUS
MEETING OCCASION
PREFERENCE
RELAX
SHARING
SHOF OFF
TASTE
UTILITARIAN
AGE CONCERN
DIETARY BENEFITS
GIVES ENERGY
INSOMNIA
KEEP AWAKE
NEGATIVE HELATH EFFECTS
POSITIVE HEALTH EFFECTS
REFUSAL
RIGHT TIME TO DRINK COFFEE
STRENGTH
ECONOMIC CONCERN

Table 15. Categories

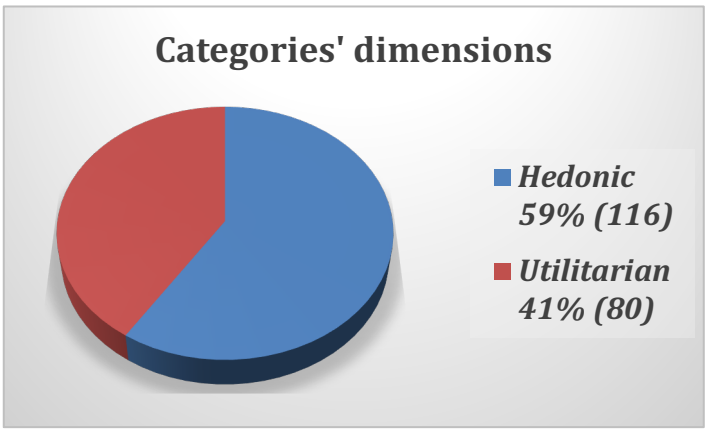

Table16. Categories' dimension

After the codes have been categorized and organized (table 15) and the total percentage of the two categories has been calculated (table 16), the share of each code in each category has been analyzed. For each category, according to the frequency, some relevant codes emerge over the others. The most frequent codes have been described previously as a stand-alone. Below codes are shown as part of the relative category, therefore they occupy specific percentage of it (Table 17-18).

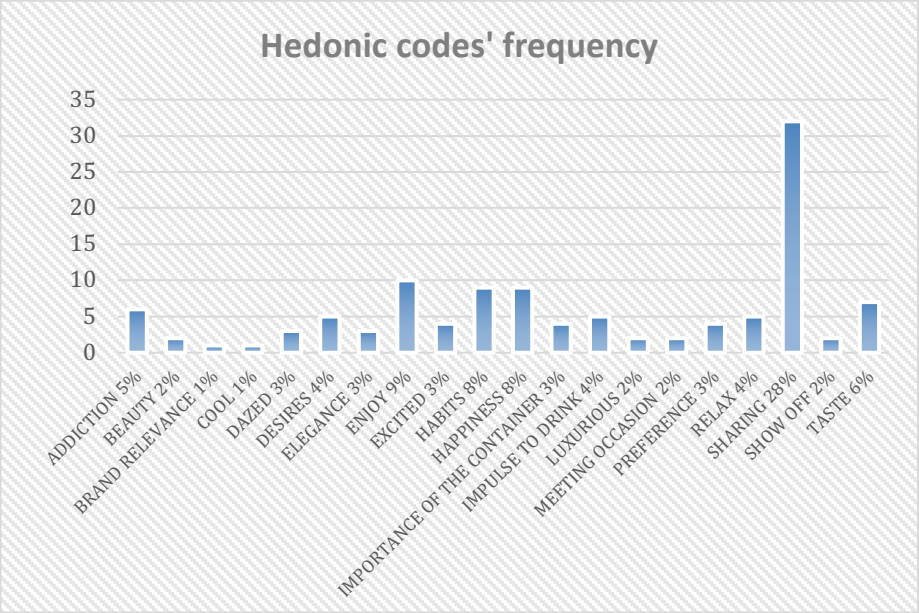

Table 17. Hedonic codes' percentage

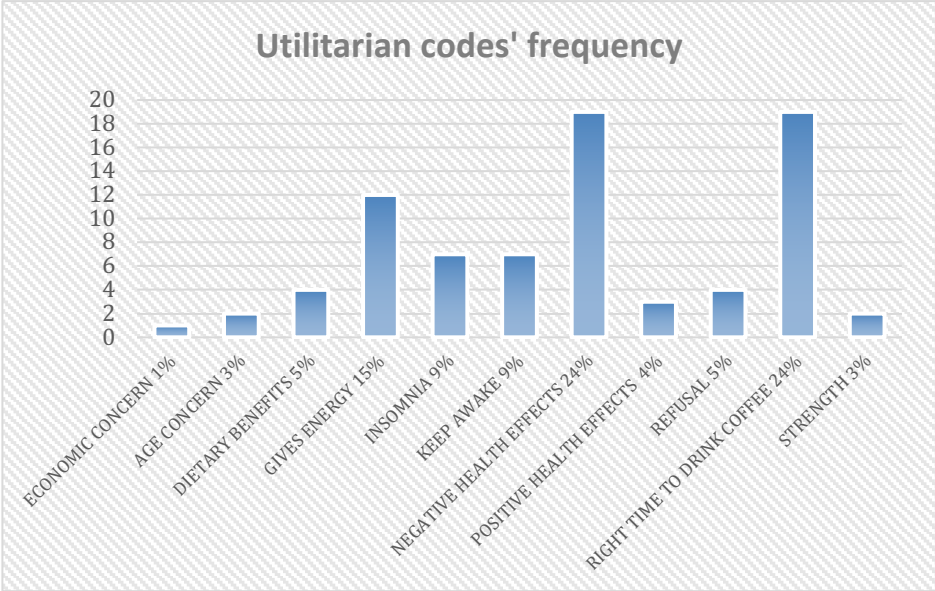

Table 18. Utilitarian codes' percentage

As shown in table 17, a relevant characteristic of Chinese culture is the importance assigned to food health benefits. Therefore, even if hedonic motivations have been proved to be the main reason for its consumption, utilitarian aspects of coffee consumption cannot be ignored. In fact, health concerns (positive and negative health effects together amount to 28% of the pie chart) significantly influence the purchase of coffee by Chinese. Furthermore, some consumers expressed their refusal to coffee due to the lack of health benefits. Giving an example, the post "why drink coffee?" expresses a consumer's point of view: if coffee doesn't have any benefits at all, then why should someone drink it? In addition, other users' posts highlighted that since coffee had a negative effect on their health, they would never drink it again. However, there are some exceptions: people drinking coffee even if they do not like it or it harms them in some way. For example:

> "I wish I could reflect more on the reason why I went to a cafe to drink coffee and take some pictures, I harm myself."

> "Surely I'm not suitable for drinking coffee, I drank and I felt dizzy. Last time I drank McDonald's coffee it was in Tianjin ... I added two packets of sugar and two of milk, still I found it hard to drink it"

The most relevant question is why do they drink coffee if they do not like it? Some posts give us insights:

> "I don't drink coffee, I bought an American instant coffee and I drank it as it was water. I bought coffee cup only to take a picture. There's no need to echo others' habits, just do what you like."

This post shows us that in the user's opinion, most people drink coffee to echo other people's habits, not because they truly like it. In this specific case, she bought the coffee cup only to take a picture. Therefore, Chinese people are mostly driven by hedonic motivations and some of them drink coffee even if they do not like it or even if it is unsuitable for their body. In light of this arguments, coffee is a means to show off, since it represents: "Beauty", "Elegance", "Luxurious" and "Cool". As a matter of fact, what you consume reveals who you are. In light of this, since coffee represents "beauty", "elegance", "luxurious" and "cool", it makes you appear beautiful, elegant, rich and cool.

Moreover, since food is "a focus of social interaction and the consumption of prestige food may become index of social status" (Steptoe *et al.*, 1995, p.268), and considering that coffee is seen as a luxurious and premium product, as confirmed by the research results and highlighted by previous literature, it has been proved that coffee may act as a social indicator and social link. It is possible to prove that Chinese consumers drink coffee on one hand because of what it represents on the other hand in order to share something they consider as beautiful, exciting, relaxing, and also particularly trendy, elegant and cool.

3.4.2.6 Characteristics of sample users

The present discussion and results are true for Weibo users aged 20-30. In fact, as shown in the table 19 "Age of Weibo sample users", users taken into this analysis are 20-30 years old. In accordance with this, 70% of Weibo users are university students. The average age of Weibo users talking about and images of coffee which emerged from data collected on Weibo is 24,45.

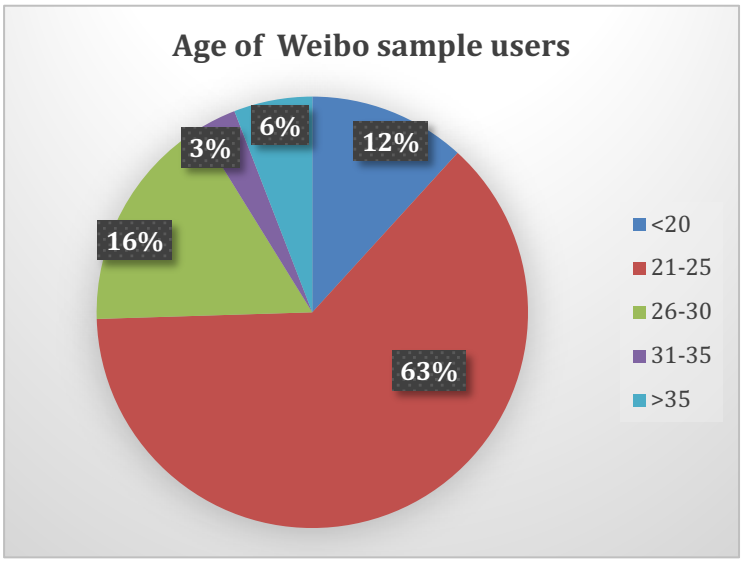

Table 19. Age range of Weibo sample users

However, even if according to statistics male and female Weibo users are equally present on the social network, 80% of the users in this research are female (table 20), in fact 159 female users posted about and shared image of coffee. Whereas the number of male users is 40, which account for the 20%. These percentages are confirmed by Mi's (2017) report on the existing situation of coffee market in China, according to which women account for the 70,80% of coffee consumption. Considering the high percentage of women's posts about coffee consumption, the results may be considered valid particularly for female consumers.

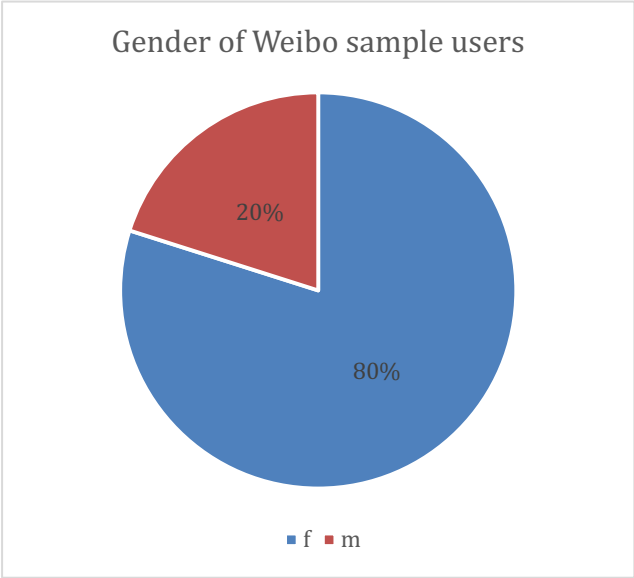

Table 20. Gender of Weibo sample users

3.4.3 Managerial implications

Managers may take advantage of this research results by adjusting their communication strategies, products, packaging, prices and so on. In fact, thanks to this research is possible to deeply understand what consumers expect from coffee as a beverage, as a social link, and as a trendy product. A better understanding of consumers' needs and wants would enable managers to develop new effective strategies. Strategies involve multiple aspects of the company: marketing, production, finance, human resources management. In this paragraph, the managerial implications of the research are analyzed from a marketing perspective.

Based on this research project, the main characteristics of a specific target have been identified: particularly women aged 19-28. They appear to be the most dynamic users on social network writing about and sharing images of coffee. By sharing their images and thoughts about coffee, they express what they seek, what they expect and what they like. They seek a luxury, cool and relaxing environment where to share a coffee with somebody else and they expect to be fulfilled with energy and strength. In accordance with this view, new advertising campaign should be created addressing consumers' expectations and desires.

In broad terms, hedonic aspects of consumption must be underlined, not forgetting to include the basic functional info about the products, given that Chinese consumers still lack knowledge about coffee health effect and are particularly concerned about health. Accordingly, even though utilitarian aspects are relevant in selecting food, hedonic ones seem to be decisive. Indeed, coffee is mostly related to pleasure, emotions, experience, social identity and appearance. Therefore, the study of coffee hedonic consumption has been again demonstrated to be essential to better understand food choices of the consumers and to be fundamental for managers to better address consumers' needs.

These findings also contribute to improving marketing effectiveness suggesting recommendations for marketing hedonic products to consumers. Since it has been proved that consumers tend to echo others habits and follow trends, the seller should encourage customers to post about coffee on social networks so that friends have a more positive attitude towards it. For example, a promotion may be: if the customer takes a selfie while drinking coffee with the brand in the foreground, he can have

something as a gift, such as a cup. Accordingly, influencers also play an important role, given the number of followers and fans who want to emulate their behaviors. Therefore, choosing the right influencer to advertise coffee may be a key to the success.

In marketing communication, companies should emphasize experiential and emotional aspects of coffee consumption. In addition, they should emphasize the role of coffee as a social link and its power to lead to a positive social life. These have been demonstrated to be the main factors influencing consumers' spending on hedonic products. Apart from the experiential and emotional aspects, aesthetics also is an important component. As emerged by the codes "beauty", "elegance", "cool", "the importance of the container" and as confirmed by previous literature exposed in the first chapter of the thesis, aesthetics is fundamental to attract customers. Talking about aesthetics, given that the habits of taking photos and sharing them on social networks are widespread in China, especially among Millennials, consumers tend to prefer to consume products aesthetically attractive that can be posted and shared with others. Appearance is part of the experience and it is an important value in Chinese culture, (referring to the so-called 面子"mianzi", which means "face", "reputation"). Accordingly, a well-designed cup with some decorations (such as nice shapes with milk foam) may be decisive in consumers' selection process.

Moreover, Chinese consumers seek premium products for a premium lifestyle. Especially Millennials are eager to consume western-style goods and premium products and they want them fast. As aforementioned, they aspire to a premium lifestyle consisting of consuming premium products that boost their personal well-being. As revealed by this research, Chinese consumers also want to show off; therefore, the communication strategies of a company should aim at giving consumers a sense of superiority.

In order to face the problem of negative health effect induced by caffeine consumption and reduce customers complains, communication of coffee culture in the shop or café is essential. Indeed, barmen should suggest the products that better suit customers' needs. Given the lack of knowledge about coffee, communication between barmen and clients is fundamental to customers' satisfaction. For example, barmen should suggest to customers particularly sensitive to caffeine ingestion to drink decaffeinated coffee. In fact, decaffeinated coffee still serves as means of communication,

it is still shared in the same social context and surrounding without the risk of feeling sick or suffer insomnia.

In conclusion, these findings and suggestions may be useful for a better understanding of customers' wants and expectations and for the implementation of more efficient strategies. Managers should certainly exploit as far as possible this new interest in coffee by Chinese. Besides, they should focus on long-term horizon and make coffee become an everlasting product.

CONCLUSION

After theories about hedonic and utilitarian consumption were revised and Chinese diet and consumption patterns were explored, the present thesis analyzed coffee consumption in China from the perspective of hedonic and utilitarian concepts. Once coffee was identified as a hedonic product, which means that consumption of coffee is mainly driven by hedonic motivations, some theories about hedonic consumption mentioned in the present thesis may be valid for this specific product. However, as previously pointed out, the cultural and social variables cannot be ignored, since they lead to differences in food and beverage consumption. Thus, in light of the main characteristics of Chinese culture, Chinese consumers' peculiarities and their consumption patterns especially, some other hedonic theories presented in the first chapter may not be valid or applicable. For instance, endowment effect may not be true for Chinese consumers, Millennials in particular, who pursue new experiences and are willing to try new things. According to the endowment effect theory the alternative may be represented as the status quo, which is the reference level, in order to reduce the endowment effect. In this case, coffee would be the alternative to other more traditional drink in China. Nevertheless, considering Chinese consumers' characteristics, the alternative (once again coffee) should not be represented as others Chinese traditional drinks, because Chinese consumers seek new fashionable things.

On the other hand, loss aversion theory may be applicable to the specific case study concerning coffee. Indeed, loss aversion implies that consumers are more reluctant to forgo hedonic attributes, therefore in case the firm needs to choose which of the attributes of a product or service levels to cut off, it should not choose to cut off hedonic attributes. In light of the results of the qualitative research carried out on

Weibo, hedonic motivations appear to be the major reason of coffee consumption, therefore managers should not cut off hedonic attributes. However, it has also been proved that utilitarian motivations, even if less important than hedonic ones, still play an important role in the Chinese market. In addition, given that the knowledge Chinese consumers have of coffee is still at a medium level, the main utilitarian attributes should not be excluded. In fact, on the basis of loss aversion theory, if the firm added the same hedonic benefits, it might have a less strong impact on the market share than adding more utilitarian benefits. In sum, hedonic motivations should not be cut off, but utilitarian benefits, if added, may have a bigger impact than hedonic aspects on the market share. As previously mentioned, products have both utilitarian and hedonic characteristics, so does coffee. In fact, the high hedonic value of coffee does not totally offset the functional and physiological benefits deriving from caffeine. In fact, it has been demonstrated that coffee consumption can be partly driven by utilitarian motives. Accordingly, even if this research particularly focuses on hedonic aspects of coffee, utilitarian aspects cannot be ignored.

However, coffee still is considered a hedonic product, and as such, it is not seen as an objective entity, but as a container of subjective symbols. This is the reason why it is important to focus on what coffee represents for Chinese consumers. In general, the symbolic benefits derived from foreign products are modernity, prestige and association with a foreign lifestyle, which, therefore, are the main motivations for consumption. In the last few years, foreign products became a model to follow, a symbol of social status and richness for customer purchasing high fashion items or luxury goods (Podoshen *et al.*, 2011). In addition to the country of origin, due to its average price, coffee is viewed as a luxury product by Chinese consumers. Hedonic consumption, indeed, is related to luxuries (Kivetz & Simonson, 2002a, 2002b) and coffee as hedonic product is considered a luxurious premium product, as proved through the empiric research on Weibo. In 2015, Hanson already noticed this trend saying that coffee was gaining in popularity and emerging in the motherland of consumption of tea as a new foreign luxury. Nowadays, in 2018, coffee remains a luxury good associated with a premium lifestyle.

Overall, the aspiration to a Western lifestyle has influenced Chinese consumers. Therefore, they shifted consumption from traditional food to Western food, because they are willing to be part of a modern and more progressive world, in which the great variety of Western goods leads to happiness and freedom (Podoshen *et al.*, 2011).

Coffee does not only represent modernity, it also represents status. In fact, food is "a focus of social interaction and the consumption of prestige foods may become index of social status" (Steptoe *et al.*, 1995, p.268). As already mentioned, the type of food consumed derives from a certain social class and at the same time reveals it (Bertocci & Cavallero, 2017). According to consumer behaviour studies, individuals use consumption objects to express their individuality and social identity. In fact, by using certain objects consumers can indicate their social class, status and lifestyle. Chinese consumers want to show off and to be associated with a modern and fashion Western lifestyle. In light of this, consumers' preferences in China are mostly based on social status and on the opinions of people belonging to that social class. In sum, consumers' purchasing is influenced by the wish for a positive judgment in the greater social hierarchy (Podoshen *et al.*, 2011). This has its roots in the more traditional Chinese concept of "face", which relates to the reputation and prestige obtained through the impression made on the others.

As Parnham (2017) says, visiting foreign coffee chains and drinking coffee are status symbols and a fashionable experience. Therefore, foreign companies should take these pieces of information into account when positioning their brand and should try to sustain the symbolic values for their product. They should try to satisfy the need for prestige. In fact, a product value depends on the marketing communication which transfers social and cultural meanings into imagined or actual reality (Zhou & Hui, 2003). Moreover, Zhou and Hui (2003) argue that symbolic attributes are more decisive than utilitarian attributes in the purchase situation.

Millennials are pioneers of these new trends, their desire for new experiences and the willingness to create a public identity based on conspicuous consumption make Millennials be more open to new products and be the main promoters of Western goods. They aspire to a premium lifestyle consisting of consuming premium products and service that boost their personal well-being. An example provided by Tung (2017) of an experience connected to public identity creation and the idea of a premium lifestyle could be having a cappuccino at Starbucks. In fact, as aforementioned, 70% of Millennials are willing to try new brands, give importance to the creation of a personal identity and have strong brand awareness. Generally, they are enthusiastic and active responders. For instance, as shown on the results of the Weibo research presented in this thesis, Millennials are the most active users writing about and sharing images of

coffee. They are the heaviest users of social media in China (Fung Business intelligence, 2017). Given that Millennials embody this new trends towards westernization, they occupy today the majority of the market and will be the China's future biggest consumers; moreover, given that they are the main age group consuming coffee, companies should try to satisfy their needs, through such means as mobile, social, experiential, convenience-driven, customized products and services. Companies should give consumers a sense of superiority by providing an enriched new experience. Accordingly, niche brands and limited edition and customized products are becoming widely popular. Since Millennials are usually connected to the Internet, the trend of consuming coffee is automatically reflected on social media, which appear to be an important medium for communication strategies. In fact, it has been proved that consumers tend to echo other social media users' habits and follow their trends, which are mainly established on social media. Therefore, sellers should encourage customers to post about coffee on social networks in order to make friends have a more positive attitude towards coffee. Starbucks, which is an example of success in the Chinese market, understood social media importance and is strongly present on Chinese social media; for example, it is present on Weibo as "Papa Star" (星爸爸). In addition to social media, influencers may be an important medium, given the number of followers and fans who want to emulate their behavior. Therefore, choosing the right influencer to advertise coffee may be a key to success.

Coffee is not only related to reputation and social image, but it also elicits emotions. Consumers seeking those emotions tend to consume products that can stimulate them. Research proved that the type of motivation influences significantly pleasantness and emotions all along the coffee drinking experience, which is why consumption motivations should be taken into account given their impact on consumers' response. Moreover, the study of emotions elicited by food or beverage product consumption is relevant especially for those products consumed primarily for pleasure like coffee. Once the main motivations driving a target consumer to consume a product have been identified, social media and campaign materials should reflect specific emotions, senses and moments of the experience according to consumers' motivations in order to engage them with a given product. Emotional pleasure is accompanied by an aesthetic one as well. As a matter of fact, Chinese consumers consume Western food also for aesthetic pleasure (Wang *et al.*, 2015). This argument

has been corroborated by the empiric research results. In fact, the coding process results shown that the aesthetic aspect of consumption is particularly relevant in attracting consumers. Attributes like “elegant”, “cool”, “beautiful” are connected with coffee and make it more desirable. The packaging, shape of the milk foam and other elements surrounding coffee consumption are essential for making the overall experience enjoyable. More importantly, given Chinese consumers’ habit of taking photos and sharing them on social networks, especially among Millennials, consumers tend to prefer to consume products aesthetically attractive that can be posted and shared with others. Appearance once again has been proved to be deeply rooted in Chinese culture and still remains an important motivation behind the consumption of Western goods. Because of these reasons, from a managerial perspective, in marketing communication, companies should emphasize experiential and emotional aspects of coffee consumption. In addition to this, they should emphasize the role of coffee as a social link and its power to lead to a positive social life. The latter is due to the fact that, according to previous literature, consumers’ positive interpretation of life circumstances such as satisfactory social life is a factor influencing the consumers’ decision of spending on hedonic products, therefore should be emphasized by companies.

In conclusion, this thesis aimed at confirming previous research, while at the same time providing new insights into the Chinese market, targeting anything related to coffee consumption. In fact, it is becoming more and more imperative for foreign companies to take advantage of the enormous economic growth of the Chinese market. This thesis proved that the cultural and social variables cannot be ignored and that Chinese market peculiarities for each product must be analyzed. From a managerial perspective, the focus is especially on the companies’ marketing and communication strategies, which have been analyzed in light of the findings and results of this thesis, in order to improve their efficiency and attractiveness in the context of the Chinese market. This research may also be a valid starting point for further studies on other Western food products.

APPENDIX 1: Interview with Kitty Wei – Illycaffè China (Shanghai)

INTRODUCTION

Miss Kitty Wei, currently working at Illy company China (Shanghai), when did you start your career at Illy and what are your main responsibilities?

I started to work for Illy Shanghai in May 2015, my position now is Key Account Manager and my current market is the hospitality industry in China mainland with an emphasis on hotel organizations including Four Seasons, Mandarin Oriental, Aman, Marriot Group, Swire Hotels and many other boutique hotels.

When did the company start to operate in China? What was the entry mode?

The company entered in Chinese market in 2001 through a Taiwanese distributor then became subsidiary in 2006. Illycaffè Italy and this Taiwanese distributor both have shares, but 2012 Illycaffè Shanghai became wholly owned subsidiaries of Illycaffè Italy.

How many sales points are there in China? Are they located in first and/or second tier cities?

Illy Shanghai is the only subsidiary all over Asia, there is a branch office in Beijing and 2 4sub-dealers around China, the sales points are mainly located in tier 1&2 cities.

Could you explain the overall organization of the company and its distribution-network?

Illy Shanghai is the only subsidiary all over Asia, normally each province has one distributor and they are responsible for the assigned area.

INTERNATIONAL MARKET

Have you ever faced any problems in selling coffee and in communicating with clients because of the presence of non-acquainted distributors and lack of knowledge about Italian coffee?

Coffee is not in Chinese culture; we always face the challenge when we talk to the customers and try to sell our coffee. Chinese people acquainted with coffee through instant coffee from Nestle at the earliest period, later they acquainted with the coffee knowledge through Starbucks coffee that is real coffee. Anyway, it is coffee that you drink in big cups, so they don't know what Italian coffee is and what a good coffee means. They don't drink Espresso because they don't understand what It is, they don't understand which is the difference between local roasted coffee beans and Illy coffee, they only care about the price and Illy does not have competitive advantage because Illy is a luxury coffee brand.

Do you think clients and consumers are more and more acquainted with Italian coffee?

Nowadays Chinese people start to travel all around the world and they have the strong ability of accepting new things, so it is true our clients are more and more acquainted with Italian coffee through travelling in western countries.

Does the company plan events to promote Italian coffee culture in China? How often? Where? How many people participate on average? Are there partners participating in the planning of these events?

We normally sponsor coffee events that promotes Italian coffee culture. For example, we sponsor the coffee station for hotel`s events around 4-8 times per year. There can be 50-400 people per time. We participate in the trade show once a year, we participate in the coffee events 1-2 times per year, we have the coffee university in Shanghai office and it operates the coffee course once a month to our clients, there are 18 students per class per time.

In your opinion, how is coffee consumption viewed in China? What is the symbolic meaning of coffee in Chinese society?

According to the study, coffee consumption increases around 20% every year and Illy Shanghai increase 14% of the total revenue in 2017 compared to 2016 which is lower than the market increase, but the biggest coffee consumption is still instant coffee. In my opinion, the symbolic meaning of coffee in Chinese society is that, drinking coffee can show they are following the fashion, they are international and they look for high-quality lifestyle.

TARGET

What are the main clients asking for Illy coffee into B2B operations? (restaurant, hotel, what else?) What kind of?

Our B2B clients mainly are 5-stars hotels, chain stores, western restaurants, coffee shops, pastry shops, retail shops like clothes shop, book shops and car show rooms. For example, Illy is the recommended suppliers of Marriott group and the global supplier of Haagen-Dazs.

What do clients expect from Illy coffee and what kind of service do they expect from Illy company?

The expectation of the client from Illy is the Brand Effect and high coffee quality, they believe the brand can bring them more customers and Illy means good coffee, they need strong coffee training service from us, there is a really high turnover of the Barista in China so they need constantly coffee training. They need us to transfer them the Italian coffee culture and the know-how of the coffee.

In your opinion, do clients expect coffee to be a symbol of prestige, quality and social status?

I don't think so, tea is our culture, many people who has really high prestige or social status drinks tea. Chinese people like to stay in coffee shop to work, study, chat with friends or meet customers, it is more like "the third space" for them except theoffice andhome.

What is the main consumer target of Illy company?

The main consumer target of Illy Shanghai is the luxury hotels, chain store and brand store.

In your opinion, is there actually a specific social class or target that drinks coffee habitually? Do you think drinking coffee in a public space can have a value related to social status?

I think high income groups who lives in tier 1 or 2 cities drinks more coffee than the low-income groups who lives in tier cities 3 and country side. Actually, I don't think drinking

coffee in a public space can have a value related to social status, I would say who drinks coffee are more fashion-oriented and international.

PRODUCT

What are the best-selling Illy products in China?

The best-selling product in China is the 3kg/tin coffee beans in for the market of hotels & restaurants, while the best-selling product for home user is the 250g/tin.

Have the products been adapted to the local taste or are they standardized all over the world?

We mainly have the standardized products all over the world but, each subsidiary has the right to choose what to sell in their local market in order to meet the market requirement, there are really few products adapted to local taste.

In comparison to products offered by MNC like Starbucks, do you think the need of a more sophisticated product is growing among Chinese consumers?

I think capsules and coffee beans are getting welcome with Chinese consumers because they also want to drink coffee at home. Capsule is really easy to operate; coffee beans are for the consumers who are interested in doing coffee by themselves.

Is coffee viewed only as something consumed in public? Is there the possibility that in the future coffee will enter Chinese houses?

Nowadays in my opinion coffee is viewed only as something consumed in public but for sure there is the big possibility that in the near future coffee will enter into Chinese houses.

COMMUNICATION

Talking about communication strategies, are these adapted to the Chinese market characteristics or are they standardized? Is there a marketing and communication department in Illycaffè office in Shanghai?

We have the global guideline for the marketing strategies but of course we adapted to the local market characteristics and we do have marketing department in in Illycaffè Shanghai, but our marketing team always has to get the approval from the HQ before doing some big events or actions.

What are the main communication tools? Is Chinese social media included in the marketing programs?

Illycaffè do not invest money on TV advertising, the main communication tools could be Chinese social media like WeChat, Weibo, publish articles on coffee magazines, participating in events and trade shows through our coffee university and our salesperson, etc.

What is the main social media used in the communication strategies? Are they managed directly or indirectly?

WeChat and Weibo which are Chinese social media are the most directly way we can communicate with our clients, media and magazines are where clients can find the latest news of the company and the official website of the company is also one of our social media, we manage all the social communication directly.

Does Illycaffè usually ask the influencers for any contribution?

Yes, for example we are cooperating with one of the most popular coffee magazine to publish the articles and have connections with the media to report our news, we participate to the coffee industry forums, etc.

APPENDIX 2: Interview with Fabrizio Zanetti – Hausbrandt

INTRODUCTION

Mr. Fabrizio Zanetti, when did you become CEO and Chairman of Hausbrandt? When did you start your career at Hausbrandt?

I started to work inside the company after I've finished my studies. I was involved into the different departments of the company and I was motivated by my desire to understand every single function and operation in depth. I was particularly interested in the raw material, which is our inspiration source, in the production process and in the commercial development. In general, ours is a job that is both traditional, and contemporary. It is difficult to find a part of the company that does not have any attractiveness. After working in the company for more than 10 years, I took up the position of CEO in January 2017.

How many sales points are there in total? How many employees work for Hausbrandt? What's the annual turnover?

Nowadays, Hausbrandt is present in the national market and in more than 90 countries. We are grateful to more than 25,000 sales point, which choose us every day.
We've pursued a balanced growth of both domestic market and foreign markets, also by entering specifically the EMEA area and by creating a network of 500 experts and distributors on an international level. In 2017, our annual turnover was more than 90 million euros and we believe we can be even more optimistic for the year 2018.

CHINESE MARKET

When and why did Hausbrandt start to operate in China? What was the entry mode?

Hausbrandt is present in the PRC since 2006, when we started our flagship-store in Qingdao, together with a local investor. We noticed there was an increasing interest from Chinese consumers towards Italian espresso, which has rapidly turned the Chinese market from a promising market to a leading one.

What is Hausbrandt's current situation in China? How many sales points are there? Which are the cities Hausbrandt is located in? Have you already planned further future strategies for China?

Since our opening of the flagship-store in Qingdao in 2006, we have been working hard and with commitment to identify local distributors motivated to share our business model, which is based on the distribution of the product and high-standard level of services. Currently we have distribution structures in Shanghai, Shenzhen and Hong Kong as HUB for neighboring areas. Together with these partners we are developing a concept that enriches the consumer experience in favor of the public which has become increasingly sophisticated and demanding.

Have you ever faced any problems in selling coffee and in communicating with clients because of lack of knowledge about Italian coffee?

This path has actually been made easier for us by an increasingly popular international trend that consists of the integration of the two hot drinks par excellence, tea and coffee. The increasing number of tourists and the steady growth of business trips has favored this process especially through hotel chains. This boosted the diffusion of coffee as a drink and the beginning of some initiatives by restaurants, which encourage the consumption of coffee as a substitute for traditional drinks.

In your opinion, is the Chinese market still unacquainted with Italian coffee? Is it ready to accept and appreciate Hausbrandt products?

As already mentioned, our product is made available through multiple channels of distributions. We aim at increasing consumers' curiosity and interest; our final goal is to make the young generations actually form an opinion on coffee, rather than treating it as a mere popular trend. Information sources, first of all the Internet, has allowed Chinese consumers to learn more about the product. The driving force was the curiosity towards a product which is a symbol of the "Made in Italy" concept.

In your opinion, what is the most popular coffee consumption situation in China? Is coffee viewed only as something consumed in public? Is there the possibility that in the future coffee will enter Chinese houses?

Basically, since coffee is a trendy product and a social link, and so it is mainly consumed outside rather than at home. However, China's territory is huge, composite and multifaceted, and for these reasons, the consumption of coffee at home is not a secondary phenomenon, especially in urban areas, which are more exposed to internationalization.

Who are the main consumers asking for Hausbrandt coffee in China? In your opinion, is there actually a specific social class or target that drinks coffee habitually?

Coffee's charm, its attractiveness and its being a social link are connected to coffee transversality. Our products, based on tradition and on a voluntary choice, are highly positioned. Therefore, the segmentation usually happens at the store level, not at consumers' level.

Does the company plan events to promote Italian coffee culture in China? How often? Where? How many people participate on average? Are there partners participating in the planning of these events?

The collaboration with our partners is one of the most characterizing aspects of our company's approach. Keeping in touch with them allows us to be responsive and ready to answer market needs effectively and efficiently. Our main gratification is seeing our clients satisfied. The active participation to events, road show and fairs are evidence of this collaborative approach.

PRODUCT

What are the best-selling Hausbrandt products in China?

The width and depth of our product lines characterize our offerings. We are extremely convinced that coffee may be compared to a perfume; in fact, choosing a perfume is a

personal choice as it is for coffee. Our products are first imagined than created trying to capture the coffee "undertones".

Have the products been adapted to the local taste or are they standardized all over the world?

Italian espresso has its own peculiarities and Chinese consumers love it for these peculiarities. As already explained, the key is to know how to make consumers satisfied without making them adapt to the product, but by offering a product that is suitable to them. According to our tradition, we try not to be banal, but, on the contrary, to craft the product with the help of artisanal creativity and technological expertise.

Do you think Chinese consumers are becoming more demanding and in need of a more sophisticated coffee like the Hausbrandt coffee?

China is more sophisticated than other countries. We understood it from the opening in Qingdao.

COMMUNICATION

Talking about communication strategies, are these adapted to the Chinese market characteristics or are they standardized? Who is responsible of marketing and communication operations in China?

Marketing activities in every specific market are demanded by the importers. These consists of actions of trade marketing and not exactly communication strategies. Specifically, our client has advertised its activities on specialized magazines, therefore our brand appeared on these media".

What are the main communication tools? Is Chinese social media included in the marketing programs?

We are not present on social media, but on Chinese e-commerce websites, like JD.com and Taobao. These accounts are managed directly by our clients.

Does Hausbrandt usually ask influencers for any contribution?

Until now, our importer has not implemented this marketing strategy.

APPENDIX 3: Interview with Eliana Ferrara – Miscela d'Oro

INTRODUCTION

Miss Eliana Ferrara, when did you start your career at Miscela d'Oro and what are your main responsibilities?

I'm a PR manager in charge of public relationships. I'm also responsible for marketing and communication, especially for the foreign market. I usually organize events and fairs and manage social networks.

Could you please introduce Miscela d'Oro?

Miscela exports to 50 countries worldwide; in the last 15 years it has been predominantly active in foreign markets. Markets such as Canada, the United States, Northern Europe, France, Korea, are very active markets , and the most important ones for us. But we are present almost all over the world.

CHINESE MARKET

When did the company start to operate in China? What was the entry mode?

In the last 5 years, we've approached the Chinese market punctually and precisely through attending commercial fairs and through specific missions.
The Chinese market responds less quickly than other markets. This is because there is a cultural distance in the approach to the business, such as extending the negotiations as much as possible to understand each other better. Therefore, in order to reduce this cultural gap we need to spend more time on China than on European, Arab or even American markets.

What is the current situation of Miscela d'Oro in the Chinese market?

Today, we are present in Taiwan through a distributor that buys our products. Not yet present in the Mainland China market, except through tests that we are doing on the market with distributors, mainly located in Shanghai. Here there are ongoing negotiations that we hope will continue with success".

What did you learn from the experience in the Chinese market? Did this experience have an impact on your product and communication strategies in the home country or others?

The substantial difference between the Chinese market and the others is the need to understand both the characteristics of the product and the commercial characteristics of the country. Therefore, commercial strategies applied to the Chinese market must be different because the Chinese entrepreneurs expect a great personal relationship, making the distance between the personal relationship and the commercial one is very thin.

Have you ever faced any problems in selling coffee and in exporting "coffee culture", since China is a tea-drinking country?

Some years ago, when we started to approach the Chinese market, Chinese consumers were obviously more inclined to tea. Certainly, the massive presence of Starbucks made Chinese consumers know more about the pleasure of drinking coffee, even if it is American coffee and not espresso. This gave us the opportunity to approach the concept of espresso. Today, Chinese generally know what an espresso is; maybe they do not 100% appreciate it but they know it and are intrigued. I believe that in a few years the knowledge of the Italian espresso will be a concept shared by everyone.

From the point of view of Miscela d'Oro, can the Chinese market still be considered unacquainted with a sophisticated coffee like Miscela d'Oro?

Chinese market is now becoming more and more acquainted, almost ready for the transition from American coffee to espresso. Therefore, we are now in a time of transition which will lead to a greater appreciation for a more sophisticated Italian espresso.

In your opinion, what is the most popular coffee consumption situation in China? Is coffee viewed only as something consumed in public? Is there the possibility that in the future coffee will enter Chinese houses?

Chinese don't drink coffee at home, but outside, in restaurants, coffee shops, on the street.

In the near future, who are the target consumers you want to address through your marketing and communication strategies?

The target consumers are represented by the Chinese middle class, because our product is positioned at a high-medium level. However, in China it is difficult to identify middle class, therefore it is difficult to identify a defined target.

Does the company plan events to promote Italian coffee culture in China?

We do business missions, that is, get in touch with an import and distribution company and participate at events held sometimes both before and after the meeting itself, but we do not organize events in China on our own. But we do not exclude to do so in the future, if the market requires it.

PRODUCT

What would be the most attractive product of Miscela d'Oro in China?

Our core business is certainly coffee beans, but a product that can be greatly appreciated in China is the coffee pod compatible with the nespresso system. This can be a key for entering a market that is so difficult but very important at the same time.

Have the products been adapted to the local taste or are they standardized all over the world?

We have a product portfolio which we propose to our distributors all over the world, but we are particularly flexible in terms of toasting. Therefore, if there are countries preferring a light toasting rather than a medium one, we are able to customize it and adapt it to consumers' requests. Flexibility is, indeed, one of our core characteristic.

COMMUNICATION

Speaking of communication strategies, are these adapted to the characteristics of the Chinese market or are they standardized? Who is responsible for marketing and communication in China?

I undertake marketing activities around the world and these are standardized globally.

What are the main communication tools? Is Chinese social media included in the marketing programs?

Our main communication tools are social networks such as Facebook and Instagram, in which we post daily. We often post on social media and we focus more on communication on specialized magazines. This is due to the fact that our company is oriented towards foreign markets and to a global distribution of the product. For this reason, we try to invest our budget on communicating with distributors. We allow distributors to carry on communication strategies geared towards the consumers to increase brand awareness on site. We use Wechat as a means of interpersonal communication, not for marketing purposes"

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