

## Determinants of Milk Tea Selection In Ho Chi Minh City

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**ABSTRACT:-** This paper aims at identify determinants of milk tea selection of customers in Ho Chi Minh City, Vietnam. Both qualitative and quantitative methods have been used to form research model as well as examine the determinants. Group discussion is employed for setting up the initial model while exploratory factor analysis (EFA) and multivariate regression model are used for data analysis. With the sample size of 300 respondent customers, who often buy milk tea in Ho Chi Minh City, the research model finds that there are seven determinants of milk tea selection including perceived quality, brand image, reason of selection, perceived customer services, perceived price, behavior awareness, finance, and location of shop.

**Keywords:** Milk tea, quality, brand, finance, location

### I. INTRODUCTION

Open-up policy and integration have fostered Vietnam economic growth. Living standard gradually increases and as a result, the demand for beverage, foods, and entertainment has risen in both quality and quantity. In beverage industry, milk tea has become a popular product for not only teenagers but adults as well (Sinha, 2017). Most of milk tea brands come from Taiwan, the homeland of many tea products. As soon as coming to Vietnam, milk tea becomes very popular to most people. Milk tea industry has rapidly developed in recent years in Vietnam since a large number of foreign milk tea brands have arrived, especially in big cities like Ha Noi, Ho Chi Minh City, or Da Nang City. Some famous milk tea brands now can be found in Ho Chi Minh City like Gongcha, Koi Thé, Ding Tea, Royal Tea, Cueicha, Uncle Tea, Bobapop, R&B, and Toco Toco. And from day to day, other milk tea brands arrive in Vietnam. This indicates that milk tea is a favorable drink in Vietnam.

Because of its recent development, researches on milk tea in Vietnam are really rare. Milk tea is generally and often discussed in newspapers rather than in a scientific research. Studying consumer behavior is a wide and strong subject of marketing attention and it needs an ongoing approach (Kujaidova & Taborecka-Petrovicova, 2015). In order to know what determinants of milk tea selection are, the study will seek the answers for this question in Ho Chi Minh City. In addition, the results of this study will show the level of impact of each determinant as well as propose some policy implications relating to the process of milk tea selection.

The rest of the paper is organized as follows. The second section will introduce the literature review as well as propose some research model. The third section will present the research methodology. Empirical results will be discussed in forth section. The last section will conclude the study as well as give out some policy implications.

### II. LITERATURE REVIEW AND RESEARCH MODEL

#### 2.1 Literature review

Customer behavior is one important part of human behavior. According to Hoyer et al. (2013), consumer behavior will reflect his decision to fulfill the acquisition, consumption, and disposition of goods and services. So, it is clear that when the paper investigates the consumer behavior, it should focus on these three key factors.

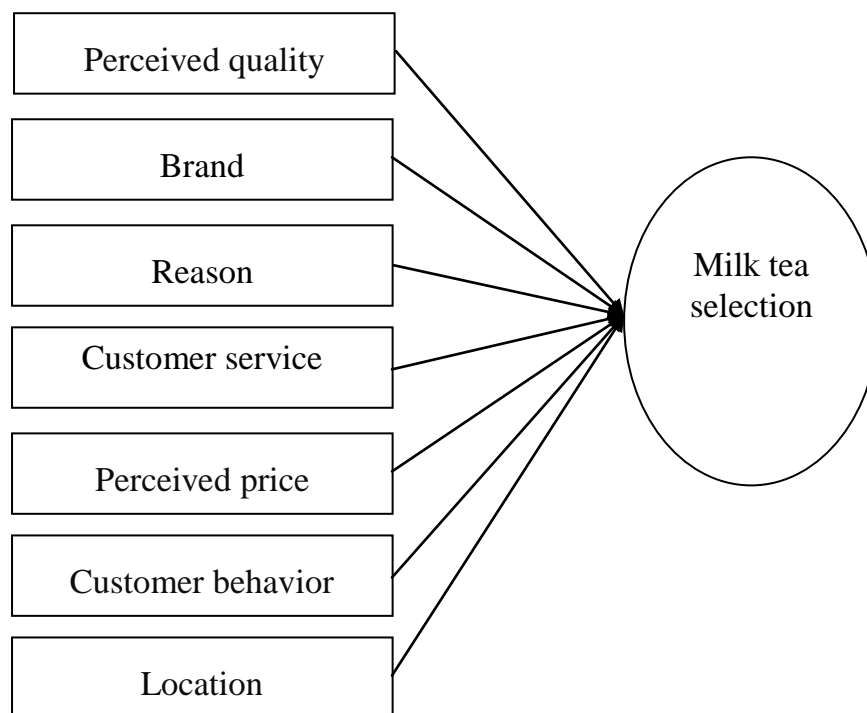
In a research on determinants of pearl milk tea purchasing decision of customers in Bangkok, Saesieo (2016) employs a sample of 400 respondents and quantitative method to find out these determinants. Her findings indicate that besides demographic determinants such as gender, age, income, and occupation, other factors like marketing mix, and consumer behavior also affect customer decision to buy. Marketing mix which includes type of milk tea, the topping, level of sugar, price, place, and promotion is consider an important determinant. Consumer behavior is defined as an aggregate factor of components such as objective of buying, number of time purchase, and duration of service.

Han (2018) examines the consumption behavior of milk tea, taking “A Little Tea” in Shenzhen, China as an example. Brand image can generate sales success by putting attention on customer value and customer value evaluation. In customer value, product elements, unique packing design can increase customer surplus, which attracts new customers. In customer value evaluation, crowd queuing attracts more new customers and it gives the purchase motivation. In addition, image components as picture “feet on ground” may promote and better consumption experience for their customers.

Wang and Marjerison (2019) investigate and assess the determinants of consumer purchase intentions towards made-to-order (MTO) tea drinks in China. Data is collected from 406 customers in January 2019. The questionnaire is delivered online via China social media platforms – Wechat. Age of consumers, price of MTO tea, pursuit of pleasant state of mind, social network effects, search for novel experience, and concern for health are determinants of purchase intentions.

## 2.2 Research Model

Basing on literature, the paper proposes the initial research model which includes seven factors: perceived quality (PQ), brand (B), reason (R), customer service (CS), perceived price (PP), customer behavior (CB), and location (L). After qualitative research, these seven factors are confirmed with minor changes in their component variables.



Source: Author’s suggestion

## III. RESEARCH METHODOLOGY

The paper employs both qualitative and quantitative methods to estimate the determinants of milk tea selection in Ho Chi Minh City. Basing on the initial research model, qualitative research method will be processed. Eight customer service experts who are sales supervisors and managers of beverage brands join the discussion. In group discussion, all factors are generally agreed to be in the model. In additions, two component factors are added to the total factors. The first component factor is the price comparison in the price factor. Time duration to get to the shop (in location factor) is the second component should be added. For all components, Likert scale from 1 to 5 is used for measurement. Lower scale represents totally disagreement while highest scale is for totally agreement. The final research model includes 7 total factors with 32 component variables. Quantitative method bases on assessing the reliability by Cronbach's Alpha scale, exploratory factor analysis (EFA), correlation analysis, and linear regression model (OLS).

Data used for analysis is directly delivered and collected outside the milk shops. The milk shops are mainly located in the center of Ho Chi Minh City. Five milk shops are in district 1. Two milk shops are in district 3. Two milk shops are in district 5 and 6 shops in Binh Thanh district. 300 out of 350 questionnaire are valid and used for analysis.

IV. EMPIRICAL RESULTS

4.1 Cronbach's Alpha analysis

Table 1. Cronbach's Alpha results

VARIABLE	Components	Mean if eliminated	Variance if eliminated	Total correlation	Cronbach's Alpha if eliminated
<b>R</b> $\alpha = 0,815$	R1	11,73	2,644	,575	,794
	R2	11,78	2,468	,631	,769
	R4	11,82	2,282	,729	,720
	R5	11,85	2,509	,605	,781
<b>B</b> $\alpha = 0,863$	B1	11,75	2,304	,774	,800
	B2	11,60	2,134	,680	,845
	B3	11,83	2,748	,655	,853
	B4	11,91	2,079	,783	,794
<b>PQ</b> $\alpha = 0,867$	PQ1	14,79	4,981	,680	,841
	PQ2	14,92	4,997	,665	,845
	PQ3	15,04	4,701	,670	,844
	PQ4	14,93	4,922	,667	,844
	PQ5	15,01	4,465	,768	,818
<b>PP</b> $\alpha = 0,848$	PP1	7,61	1,562	,737	,770
	PP2	7,57	1,564	,695	,809
	PP3	7,54	1,514	,718	,787
<b>CS</b> $\alpha = 0,772$	CS1	12,08	2,531	,622	,691
	CS2	12,15	2,754	,523	,745
	CS3	12,13	2,664	,623	,693
	CS4	12,18	2,868	,533	,739
<b>L</b> $\alpha = 0,716$	L1	7,97	,842	,533	,635
	L2	8,05	,977	,531	,633
	L3	8,05	,944	,547	,613
<b>CB</b> $\alpha = 0,762$	CB1	7,78	1,338	,575	,700
	CB2	7,74	1,332	,581	,694
	CB3	7,83	1,243	,622	,646
<b>S</b> $\alpha = 0,753$	S1	8,25	1,160	,622	,623
	S2	8,18	1,241	,568	,686
	S3	8,38	1,199	,556	,700

Source: Author's calculation

Cronbach's Alpha results indicate that all total factors are significant and can be used for EFA analysis.

4.2 EFA analysis

KMO và Barlett's test

KMO value reaches 0,832, which is significant while Barlett's Approx. Chi – square equals 3.315,569 with degree of freedom of 325 and significant level of 0,000. These results show that component factors are in general correlated and EFA is suitable for analysis.

**Table 2. Rotated Component Matrix**

Component	Factor						
	1	2	3	4	5	6	7
PQ5	,834						
PQ2	,783						
PQ4	,781						
PQ1	,777						
PQ3	,743						
B4		,865					
B1		,853					
B2		,794					
B3		,767					
R4			,809				
R2			,737				
R1			,723				
R5			,702				
CS3				,788			
CS1				,780			
CS2				,709			
CS4				,704			
PP1					,866		
PP2					,851		
PP3					,836		
CB3						,802	
CB1						,800	
CB2						,762	
L2							,788
L3							,758
L1							,742

Source: Author's calculation

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization,

a. Rotation converged in 6 iterations.

The rotated component matrix indicates that all components are classified into seven total factors with the Eigenvalu > 1, and total extracted variance is 66,998% > 50%. This implies that these seven total factors are acceptable for further analysis.

**4.3 Regression analysis**

**Table 3. Regression results**

Model		Unstandardized coefficient		Standardized coefficient	t	Sig.	Collinearity statistics	
		B	S.E.	Beta			Tolerance	VIF
1	(Constant)	-,781	,246		-3,177	,002		
	R	,219	,046	,216	4,780	,000	,679	1,473
	B	,140	,043	,135	3,251	,001	,807	1,239
	PQ	,112	,040	,117	2,831	,005	,810	1,235
	PP	,173	,034	,201	5,044	,000	,873	1,146
	CS	,082	,040	,084	2,045	,042	,820	1,220
	L	,421	,048	,366	8,824	,000	,807	1,239
	CB	,105	,039	,109	2,701	,007	,844	1,184

a. Dependent variable: Selection

Source: Author's calculation

R-squared reaches 0,595 meaning that independent variables can totally express 59,5% changes of the dependent variable. All seven independent variables are statistically significant and positively affect customer selection of milk tea in Vietnam.

The standardized coefficients indicate the level of impacts of independent variables on the dependent variable. The estimation results show that shop location has the largest impact on the customer selection to buy milk tea in Ho Chi Minh City. The second largest impact is the reason to buy milk tea. Then, the order of level of impacts is perceived price, brand image, perceived quality, customer behavior, and customer service.

## **V. CONCLUSION AND POLICY IMPLICATIONS**

### **5.1 Conclusion**

The determinants of selection to buy milk tea in Ho Chi Minh City are the core of this study. Using primary data from field survey directly at milk tea shops, the paper uses both qualitative and quantitative research methods to find determinant of milk tea selection of customers. In qualitative method, group discussion is used. Exploratory factor analysis (EFA) and multivariate regression model are used for data analysis in quantitative method.

The results indicate that there are seven determinants: perceived quality, brand image, reason to buy milk tea, customer service, perceived price, customer behavior, and location. The largest impact comes from the shop location while customer service has the smallest impacts on milk tea selection.

### **5.2 Policy implications**

#### **Perceived price**

Price is one of the most concerned issue whenever customers buy goods and services, and for milk tea, this concern is the same. Now, many abroad brands of milk tea have arrived in Viet Nam as well as the development of domestic brands is increasing. The competition in the milk tea market becomes more seriously. To attract and attain customers, price would be a consideration of sellers. Domestic milk tea brands have an advantage that they do not pay for brand name. However, imported brands have developed a price strategy which is gradually acceptable to customers. Promotion and price deduction are also important determinants for milk tea selection in Ho Chi Minh City.

#### **Brand image**

The results indicate that customers use perceived value to decide which brand of milk tea to buy. So brand marketing is important to foster revenue and market share in milk tea industry. Word of Mouth Marketing-WOM should be also focused. Updated news, attractiveness, famous singers, etc. can be used to spread out the brand image of milk tea. Media marketing needs to be strengthened. Promotion programs should be flexible among media channels in order to attract customers. Promotion strategy should focus on some target groups such as beverage experts or experienced consultants. Increasing marketing activities in offices and shopping centers is necessary. Organizing events can attract more customers and increase exchanging of product experience.

#### **Perceived quality**

In the research, perceived quality does not have largest impact on milk tea selection. This can be explained that whenever customers trust any milk tea brand it means that customers believe in its quality. However, this does not mean milk tea should not concentrate on its quality. To compete more efficiently, milk tea brand must supply high quality products. Each brand should have specific products with different tastes. Some brands can even add Vietnamese taste to milk tea. Milk tea shops should encourage customers by proving the benefits of milk tea. Milk tea is not only a drink or a new try, and milk tea should be a healthy and clean drink for customers. Ingredients must be clearly listed and high quality since this is one of the customer's concern.

#### **Customer behavior**

Positive customer behavior towards milk tea has positive impacts on selection to buy. This implies that constructing positive customer thinking and behavior towards milk tea should be emphasized. Positive behavior may result increasing buying decision, which foster milk tea development. Experienced customers in milk tea quality, sanitary, or location will help customer build positive behavior. Customers have limited time and information of products. This may limit positive behavior. So, information supply should be differentiated and via many media channels as well as at site in order customers can access anytime and anywhere.

Marketing not only reduces customer searching but also support customers to reasonably decide. Higher buying possibility can be gained as customers have positive behavior. Customers always want to pay reasonable price, and the products quality and quantity are compatible to the price they pay. So, acceptable price according to the price elasticity, price comparison, value added, and customer supports are those that have to be

done. Free car park or motorbike keeping, gifts, etc. should be considered as a sales policy to gain positive customer behavior.

### **Customer service**

Applying the strategy of product diversity is necessary to fulfill customer demand. Supplying different products to different customers is required. Take-away milk tea is now in high demand since many customers have limited time to consume on site or at shops. Milk tea cup should be easy to take away and to hang on motorcycle, the most popular private transportation means in Vietnam. In shops, the environment should be friendly and differently. The decoration should follow up a specific style, which can retain and attract customers. Any customer's complain should be immediately discussed and solved. This would maintain the customer beliefs on the shop and its brand.

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