More than a mere cup of coffee: When perceived luxuriousness triggers Chinese customers’ perceptions of quality and self-congruity

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ABSTRACT

While prior research shows that atmospheric cues such as visual design trigger customers’ cognition and emotions, thus leading to approach-avoidance responses, this article proposes self-congruity as a mediator, paralleling cognitive evaluation (i.e., perceived quality). More specifically, this article, situated in the context of the coffee shop industry in China, investigates how perceived luxuriousness, reflected from the service provider’s visual design, affects customers’ willingness to pay a price premium (WTPP). The findings show that perceived luxuriousness leads to customers’ inferences of high quality of the coffee and high self-congruity, thus increasing WTPP. Further, cosmopolitanism moderates the effect of perceived luxuriousness only via self-congruity, but not via perceived quality. This article contributes to the existing literature on atmospherics, self-congruity, brand equity, and cosmopolitanism. More importantly, this article provides managerial implications for global coffee/food brands that aim to set up their chain outlets and expand rapidly in China, one of the largest emerging markets.

Keywords: coffee culture; atmospherics; perceived luxuriousness; perceived quality; self-congruity; WTPP; cosmopolitanism.

1. Introduction

Driven by changing demographics, economic growth, rising middle classes, and cultural transformation, emerging markets such as China, India, and Brazil have become the growth
engines, constituting 36% of the global GDP and offering a great market potential of USD 30 trillion by 2025 (Javalgi and Grossman, 2016; Sinha and Sheth, 2018). Many international businesses are increasingly focusing on these emerging markets to exploit the great potential due to market saturation in some retail sectors in mature markets (Ferreira and Ferreira, 2018; Kardes 2016). For example, since the Seattle-based coffee brand Starbucks entered China featuring a tea-drinking culture in 1999 (Wang, 2012), this brand has achieved a rapid expansion with 4,704 coffee stores operated in 2020 (Statista, 2021). The coffee shop industry in China has become one of the major emerging areas of retail, with coffee shops prevalent in cities and towns across the country (Ferreira and Ferreira, 2018). The market size of this industry in China is expected to reach approximately USD 7.3 billion by 2023 (Ma, 2020), offering great opportunities for foreign coffee brands. However, expansion into emerging markets requires multinationals to contend with local customers’ unique characteristics and tailor their existing practices, which have been historically used in the context of Western markets (Sheth, 2011).

Starbucks opened the largest and most lavish 30,000-square-foot Reserve Roastery in Shanghai, China in 2017, which serves much more than a mere cup of coffee at premium prices (Andrews, 2017), although this coffee store was surpassed by the Chicago Starbucks Reserve Roastery in 2019. Chinese customers pay a price premium for their symbolic Western experiences at Starbucks (Maguire and Hu, 2013), whereas customers pay 22% less at Starbucks in North America (Desjardins, 2017). Why are some global brands such as Starbucks and Häagen-Dazs highly priced in China? Why are some Western fast-food brands, such as Pizza Hut positioned as “semi-luxurious” brands in the Chinese market (Yu et al., 2019)? This article attempts to provide insights into this phenomenon and marketing practices in China, one of the largest emerging markets.
Further, recent research on contemporary China has demonstrated that the new middle-class identity and the emerging consumer culture of emulating Westerners have formed since the opening-up policy, consequently increasing the consumption of foreign products (Croll, 2006; Elfick, 2011; Maguire and Hu, 2013). However, little research has contributed to a “comprehensive understanding of Chinese consumers culturally” (Liu et al., 2011, p. 1238), and the understanding of how middle-class consumers construe their social identities through consumption (Elfick, 2011), particularly the consumption of foreign brands and products (Tian and Dong, 2011). To fill this knowledge gap, this article examines how Chinese consumers engage with a foreign service brand culturally through their perceptions of the service provider environment, such as visual design.

Visual stimuli constitute an important part of branding strategy (Henderson et al., 2003), since consumers make affective and cognitive responses to the visual information of a certain product, such as “aesthetic impression, semantic interpretation, and symbolic association” (Crilly et al., 2004, p. 552). Similarly, visual design, an atmospheric cue, is a critical part of a service provider environment, since it improves the physical environmental attractiveness, affects customers’ cognitive processes and emotional responses, and increases patronage intentions (Bitner, 1992; Grewal et al., 2003; Orth and Wirtz, 2014). Further, the luxuriousness of furnishings, representing overall visual aesthetics, significantly affects customer experience and relationship quality (Shen et al., 2016).

Most previous studies, grounded in Mehrabian and Russell’s (1974) stimulus-organism-response (SOR) model, have demonstrated how the store atmospheric cues influence customers’ cognitive perceptions and emotions (pleasure – arousal – dominance), which in turn result in approach-avoidance behavioral responses (Anderson 1986; Buckley 1987; Eroglu and Mehleit, 1990; Jang and Namkung, 2009). Although some researchers contend that atmospherics affect
emotions via cognition (Chebat and Michon, 2003; Lazarus, 1991; Richard and Chebat, 2016), others propose an emotion-cognition approach (Bitner, 1992; Pham et al., 2001). Moving beyond the SOR paradigm and building on the brand equity framework (Aaker, 1996), this article not only considers the mediating role of cognitive process (i.e., perceived quality), but it proposes self-congruity as another mediator, and willingness to pay a price premium (WTPP) as the key outcome, shedding new light on existing literature on atmospherics.

Therefore, the objective of this article is to explore how Chinese customers respond to the visual design of a foreign branded coffee shop, which serves a glocal hub for the Chinese customers to construe their identities and images residing between themselves and the coffee shop (i.e., self-congruity). More specifically, this article examines the relationship between perceived luxuriousness of the coffee shop environment and WTPP, and explores the underlying mechanism driving this effect. An online questionnaire was distributed among 306 Chinese participants recruited from a Chinese crowdsourcing website (i.e., Wenjuanxing) to test all the hypotheses that the perceived luxuriousness positively affects perceived quality of coffee and self-congruity, thus leading to WTPP. We also identify the boundary condition of cosmopolitanism, which enhances the positive effect of the perceived luxuriousness on WTPP via self-congruity.

This article makes multiple contributions to the existing literature and marketing practices in the emerging markets. The major contribution is to provide an integrated perspective of the atmospherics literature, brand equity theory, and self-congruity theory by identifying parallel mediation effects. Further, our findings contribute to the cosmopolitanism literature by demonstrating a moderated mediation effect. More importantly, this article advances our understanding of luxurious positioning strategies adopted by multinationals in emerging markets, and offers specific suggestions regarding marketing practices, which harness atmospheric cues of
a foreign branded coffee shop, such as colors, layout, lighting, and decorations, to create a luxuriousness effect, thus enhancing Chinese middle-class customers’ symbolic consumption experiences.

The rest of this article is structured as follows. Section 2 reviews the relevant literature on consumption of foreign brands and the coffee culture in China, atmospherics, brand equity, self-congruity, and cosmopolitanism, from which our hypotheses are formulated. Section 3 describes how the study was conducted, followed by the results presented in Section 4. Summary of findings, implications, and limitations and future research are discussed in Section 5.

2. Conceptual background and hypotheses development

2.1 Consumption of foreign brands and coffee culture in China

Since the economic reforms and the opening-up policy in 1979, China has opened its market to foreign products, and a new middle-class identity and consumer culture of purchasing foreign goods have emerged (Croll, 2006; Elfick, 2011; Tian and Dong, 2011). The Chinese middle class is defined as “the new class of people that has emerged in China with medium incomes (CNY 30,000-120,000 per annum), distinct from the two traditional classes of workers and farmers” (Elfick, 2011, p. 189). Recent statistics show that the national average income per annum reached approximately CNY 90,501 in the urban areas of China in 2019 (Statista, 2020), indicating that almost all working people living in urban areas are middle classes. This middle-class consumption culture is regarded as “an expression of emulating Western consumers, whose affluence and freedom are deemed desirable” (Maguire and Hu, 2013, p. 672), and middle-class consumers are more familiar with Western brands and lifestyles (Ferreira and Ferreira, 2018). Prior research suggests that many Chinese consumers view global, foreign, and Western brands in the same category and tend to associate them with superior quality (Maguire and Hu, 2013; Tian and Dong,
Further, purchasing global brands not only assures high quality (Holt et al., 2004), but it also enables Chinese consumers to increase their social status (i.e., Mianzi or face), corresponding to the Confucian culture (Tian and Dong, 2011). Wearing imported brands, being seen to dine in at a Western-style restaurant, or narrating Western-style consumption experiences to family and friends, all signal social status (Curtis et al., 2007). Moreover, Chinese consumers connect to their counterparts in the global community through the consumption of foreign brands (Tian and Dong, 2011). For example, Newlands and Hota (2017) showed that the American ice-cream brand Häagen-Dazs, known for high-end ingredients, luxurious design, and excellent service, serves Chinese consumers with a unique experience that their counterparts easily have at a European patisserie, thus explaining why this ice-cream brand in China sells for a price four times higher than in the USA.

Coffee is like any other kind of Western-style food, and consumption of Western foods symbolizes modern living (Yan, 1997). According to Ferreira and Ferreira (2018), the Chinese market long accustomed to a tea culture has witnessed three coffee waves: the first coffee wave was the introduction of instant coffee in the 1970s, with Nestle and Maxwell House as the dominant brands, followed by the entry of ground coffee in the 1990s, which emphasizes fresh coffee flavor; the second wave came in 1998, which brought the operation of international coffee chain shops such as Starbucks, symbolizing Western lifestyles, followed by the rapid expansion of other foreign brands such as Costa, Pacific and Maan; from 2010 until now, the third wave has been the rise of specialty coffee houses, prioritizing high-quality coffee and fine coffee craftsmanship. The sales volume of coffee in China has increased by nearly 90% during the period 1998-2003, with an annual coffee market growth of 30%, largely exceeding the worldwide annual growth of 2% (Bantiwalu and Demisse, 2010). The market size of China’s coffee shop industry is
expected to reach approximately USD 7.3 billion (Ma, 2020). These statistics indicate that there is a great potential for coffee shops in China.

Due to the premium pricing of coffee in China (Biederman, 2005), consuming coffee is regarded as a luxurious experience for Chinese customers. However, coffee shops with high prices, such as Starbucks, are popular among the middle-class customers, who can afford expensive foreign brands and prioritize quality and social status (Maguire and Hu, 2013), and then “coffee shops in China are becoming an ever-present feature of urban landscape” (Ferreira and Ferreira, 2018). In short, drinking coffee in China is more a trend than a need. Moreover, the consumption of foreign brands in China corresponds to the “glocalization” process (Robertson, 1995), which involves consumer culture and globalization. Thus, such consumption indicates that Chinese consumers negotiate cultural differences between the local and the global through a glocal servicescape, such as a Western branded coffee shop (Lin, 2012; Venkatraman and Nelson, 2008).

2.2 Atmospherics, perceived luxuriousness, and perceived quality

Atmospherics, the effects of physical surroundings, have been used as a marketing tool to create a retailer’s image and increase patronage intentions because the atmosphere (i.e., the quality of the surroundings) evokes emotional effects in the customers (Kotler, 1973). This is aligned with Mehrabian and Russell’s (1974) stimulus-organism-response model (SOR), which proposes that atmospheric cues (S) affect customers’ internal state (O), which in turn leads to customers’ approach-avoidance behavioral responses (R). Atmospherics consist of “visual, aural, olfactory and tactile dimensions” (Kolter, 1973, p. 51), among which visual design is an important cue to increase the physical environment attractiveness (Bitner, 1992; Grewal et al., 2003), capture attention (McGill and Anand 1989), evoke excitement (Wakefield and Baker, 1998), enhance
consumption experiences (Verhoef et al., 2009), and increase satisfaction and loyalty (Vieira, 2010). Relatedly, Shen et al. (2016) suggested that the overall visual aesthetics —luxuriousness— is the key predictor of relationship quality, because customers make their evaluations according to the combined elements such as luxury, design, and atmosphere. Luxury is defined as “a condition of abundance or great ease and comfort: sumptuous environment” in Merriam-Webster dictionary (2021a). Luxury, which is routinely linked to products, services, or a lifestyle, indicates “the highest level of prestigious brands encompassing physical and psychological values” (Wiedmann et al. 2007, p.1). “Luxury items provide extra pleasure and flatter all sense at once” (Kapferer 1997, p. 253). Since the furnishings of a retailer venue are the most important visual cue for the visitor’s experience (Shen et al., 2016), this article focuses on the luxuriousness of furnishings, which captures visual aesthetic design and ambient cues such as color, lighting, elegance, luxury, and atmosphere.

Applying these findings to the context of coffee shops in China, we believe that the visual design of the coffee shop environment, particularly its luxuriousness, is an important predictor of customers’ approach behavior, since customers’ luxury values affect their consumption preferences for a certain product or service (Sheth et al., 1991; Wiedmann et al., 2007). Prior research shows that many Chinese consumers do not treat global, foreign, and Western brands as different (Maguire and Hu, 2013; Tian and Dong, 2011), and they believe that Western brands possess higher status, higher quality, and credibility (O’Cass and Siahtiri, 2013). Perceived quality is “the consumer’s judgement about a product’s overall excellence or superiority” (Zeithaml, 1988, p. 3). Recent research suggests that perceived quality is “a scalable input factor for company’s product development” (Lieb et al., 2007, p. 2). Thus, perceived quality is measurable (Stylidis et al., 2015), and it captures two dimensions: product/service quality and customer perceptions.
(Aaker, 2009). Customer’s perceptions of product quality are positively related to shop atmospherics (Chebat and Michon, 2003). Further, if a customer perceives a design as possessing high aesthetic qualities, it is likely that the customer’s cognitive process (quality inference) will be positively impacted (Braun et al., 2020). As such, we propose that the luxuriousness of the coffee shop furnishings signals high aesthetic qualities and symbolizes the “authentic Western value”, thus leading Chinese customers to make the inferences of high-quality coffee.

2.3 Perceived quality and WTPP

Drawing on Aaker’s (1996) brand equity framework, our research focuses on the interplay between perceived quality and price premium. *Premium* refers to “a reward or recompense for a particular act,” or “a sum over and above a regular price paid chiefly as an inducement or incentive,” in Merriam-Webster dictionary (2021b). Thus, premium is distinct from *luxury* (i.e., sumptuous environment), although both involve high prices and high quality (Lyons et al., 2019; Miller and Mills, 2012). Further, marketing research suggests that consumers gain hedonic experience when consuming luxury products or brands (Silverstein and Fiske, 2003), and they are willing to pay a price premium (Allsopp, 2005). Willingness to pay a price premium (WTPP) indicates that a customer is prepared to pay more for the preferred brand/product/service than for comparable options (Netemeyer et al., 2004). Therefore, there must be unique values or benefits in the product or service that the preferred brand can deliver to its customers. A price premium does not need to reflect the real price (Sethuraman, 2000), and the “price premium may be the best single measure of brand equity” (Aaker, 1996, p.107). In other words, a price premium is the outcome of effective brand management, constituting a core facet of brand equity (Blackstone, 1995; Netemyer et al., 2004), predicting its high market share (Ailawadi et al., 2003), and contributing to higher profitability and competitive edge for firms (Casidy and Wymer, 2016).
The mechanisms underlying WTPP for one particular brand or product have been widely studied in previous research (Blackstone, 1995; Kapferer, 1996; Netemeyer et al., 2004). Most researchers concur with the notion that perceived quality and value of the branded product positively affect WTPP for a brand (Kirmani and Zeithaml, 1993; Monroe, 1990; Sethuraman and Cole, 1997), since perceived quality is also a core facet of brand equity (Aaker, 1996). Particularly, prior research on food marketing suggests that perceived quality is an important construct (Acebron and Dopico, 2000; Richardson et al., 1994), thus significantly affecting price premiums (Anselmsson et al., 2007).

Food quality is one of the critical factors affecting a dining experience (Namkung and Jang, 2007). Prior research demonstrated that food quality is a primary predictor of satisfaction (Sulek and Hensley, 2004), thus leading to customer return frequency (Law et al., 2004), customer loyalty (Clark and Wood, 1999), and customers’ fast food restaurants choice (Qin et al., 2010). Building on these findings, we propose that perceived luxuriousness of the coffee shop through visual design, décor, and atmosphere impacts the inferences customers make about the quality of coffee; in particular, customers infer that the coffee shop with luxurious Western atmosphere serves high-quality coffee. In turn, the perception of high-quality coffee affects customers’ willingness to pay a price premium. Formally:

\[ H1: \text{The positive effect of perceived luxuriousness on WTPP is mediated by the perceived quality of coffee, such that perceived luxuriousness positively affects perceived quality of coffee, which in turn increases WTPP.} \]

2.4 The mediating role of self-congruity

Consumers maintain and enhance their self-concept through the consumption and experiences of brands or products (McCracken, 1986; Sirgy, 1982; Zinkhan and Hong, 1991). According to
self-congruity theory, “consumer behavior is determined, in part, by the congruence from a psychological comparison involving the product-user image and the consumer’s self-concept” (Sirgy et al., 1997, p. 230). High self-congruity occurs when there is a match between the brand-user image and the consumer’s self-image, and vice versa (O’Cass and Lim, 2002). Further, when the brand image is consistent with the customer’s self-image, the customer’s emotional bond with the brand is enhanced (Evanschitzky and Wunderlich, 2006; Oliver, 1999). Self-congruity includes actual self-congruity, social self-congruity, ideal self-congruity, and ideal social self-congruity (Sirgy and Samli, 1985). Applying self-congruity theory to the context of retail stores, He and Mukherjee (2007) explain that actual self-congruity occurs when the store image matches the customer’s actual self-image (i.e., how the person views himself/herself), whereas ideal self-congruity occurs when the store image matches the customer’s ideal self-image (i.e., how the person expects to view himself/herself); social self-congruity occurs when the store image matches the social self-image (i.e., how the person thinks peers view him/her); whereas ideal social self-congruity refers to the match between the store image and the ideal social self-image (i.e., how the person expects peers to view him/her). Consistent with the self-congruity findings across different product categories, O’Cass and Grace’s (2008) show that customers perceive the service to be of greater value when the store image matches their self-image. Relatedly, Kang et al. (2012) have showed that self-congruity between a coffee shop brand and customers’ self-image has a positive impact on cognitive and affective loyalty. As such, we propose self-congruity as a parallel mediator, which refers to the congruity between the customer self-image and the coffee shop image.

In China, the emerging consumption of foreign products or brands corresponds to the traditional Confucian values — Mianzi (i.e., social identity and status), and group conformity (Jap, 2010; Maguire and Hu, 2013; Podoshen et al., 2011). The symbolic value of the luxuriousness
created by the shop physical environment is very important, because in the service industry, consumers’ needs are no longer satisfied only by quality and function (Shen et al., 2016). Thus, by adopting the glocalization strategy, marketers have transformed Western brands as the glocal site for exchanges of local and Western ideologies (Tian and Dong, 2011; Venkatraman and Nelson, 2008). Specifically, coffee shops in China such as Starbucks act as a glocal servicescape where Chinese customers can have symbolic Western experiences, signaling their social status (Maguire and Hu, 2013). In particular, we believe that the perceived luxuriousness of coffee shop furnishings triggers customers’ high self-congruity, since the luxuriousness (i.e., symbolic value) reflected from the combined visual stimuli enables Chinese customers to match their self-image with the coffee shop image of authentic Western value and higher social status. Further, store image is more complex and richer than some research shows, strongly predicting customer’s patronage decision (Osman, 1993; Zimmer and Golden, 1988). Relatedly, Anselmsson et al. (2014) found that intangible elements (i.e., uniqueness and social image of a brand) have greater impact on WTPP than tangible elements (i.e., perceived quality) in the food industry. Building on these findings, we expect that Chinese customers are more willing to pay a price premium when the perceived coffee shop image is consistent with their own self-image due to perceived luxuriousness. Formally:

\[ H2: \text{The positive effect of perceived luxuriousness on WTPP is mediated by self-congruity, such that perceived luxuriousness positively affects perceived self-congruity, which in turn increases WTPP.} \]

2.5. The moderating role of cosmopolitanism

Cosmopolitanism has received a great attention in sociology with the intensification of the globalization process, which has cultivated a bicultural identity such as a global-local identity
Cosmopolitanism is conceptualized as an “orientation toward local and larger social structures” (Merton, 1957, p.446), promoting cultural diffusion and change through cosmopolitans’ curiosity, and ability to explore culturally disparate societies (Hannerz, 1992). Cosmopolitanism has been characterized as a concept of world citizenship (Binnie et al., 2006), employees’ orientation towards a profession (Gouldner, 1957), or intellectual dispositions (Konrad, 1984). Marketing researchers have conceptualized cosmopolitans as world citizens, who hold a genuine desire to interact with and learn from other cultures, and to understand cultural differences (Beckmann, 2001; Cleveland et al., 2014). Therefore, cosmopolitans like to purchase products or brands from other cultures (Cleveland et al., 2009).

Research has also shown that cosmopolitanism plays a critical role in consumer preference for foreign brands over domestic brands (Parts and Vida, 2011), and predicts consumption of luxury products such as jewelry, fragrances, or products signaling social status (Cleveland et al., 2009), consistent with the notion that cosmopolitanism is “a style of consumption that creates and maintains status distinctions between high cultural-capital consumers and low cultural-capital consumers” (Thompson and Tambyah, 1999, p. 217). The role of cosmopolitanism has been examined across different products and countries. For example, cosmopolitan consumers from developing countries perceive the foreign brands as superior to local brands (Kinra, 2006), and cosmopolitans from developed and developing countries strongly prefer global brands (Strizhakova et al., 2008). Similarly, Chinese cosmopolitan consumers also hold the view that Western brands must be famous global brands with high quality, and they are superior to domestic brands because they have passed strict quality-control measures and entered the Chinese market (Tian and Dong, 2011). Further, Alden et al. (1999) suggest that cosmopolitans are more responsive to marketing strategies involving the global culture. Thus, we expect that Chinese
customers with high cosmopolitanism would be more responsive to the luxuriousness projected by the Western-style visual design with culturally refined décor. In other words, we propose that the effect of perceived luxuriousness on WTPP via perceived quality will be stronger for Chinese customers with high cosmopolitanism. Specifically,

**H3:** Among Chinese customers with high (vs. low) cosmopolitanism, perceived luxuriousness leads to higher perceived quality, which in turn increases WTPP.

Further, consumers’ preference for products signaling social status indicates cosmopolitanism, which “symbolizes the modern lifestyles or an association with the global elites” (Cleveland et al., 2009, p. 124). In other words, cosmopolitans are more likely than non-cosmopolitans to signal their social identity and enhance their self-concept through the consumption of symbolic brands or products. Relatedly, consumers present their self-concept through the consumption of aspirational brands that project cultural ideals (Berger and Ward, 2010). Aspirational products have been extended to “domains such as environmentally friendly (e.g., Prius), organic (e.g., The Honest Company), healthy (e.g., Lululemon), and intellectual (e.g., Lagavulin) product categories” (Ward and Dahl, 2014, p. 594), reflecting the dispositions of cosmopolitanism (Fastoso and González-Jiménez, 2020). As discussed, Chinese consumers can have symbolic Western experiences, and enhance self-concept through their consumption at a coffee shop with a luxury design. Particularly, Chinese customers with high cosmopolitanism would think highly of the luxuriousness value and the coffee shop image, which can be better matched with their own self-image, thus leading to more willingness to pay a price premium. Formally:

**H4:** Among Chinese customers with high (vs. low) cosmopolitanism, perceived luxuriousness leads to higher self-congruity, which in turn increases WTPP.
3. Method

3.1 Participants and procedure

We conducted a study in China to test our research model (Figure 1). Respondents (N = 306, female = 67.6%) from the Wenjuanxing website, the equivalent to Amazon MTurk, participated in an online questionnaire for monetary compensation, and all the responses were valid. The majority of participants are between 26-41 years old (59.5%). The online questionnaire was developed in the Chinese language and we used back-translation to make sure that the Chinese versions of the scales correspond to the English version. Participants were asked to view the stimuli of a coffee shop such as exterior appearance, interior environment (e.g., color, design, layout, and lighting), and the menu with various types of coffee. Afterwards, they answered the questions regarding perceived quality. Before measuring self-congruity, we used a scenario from Kang et al. (2012, p. 813):

"Please take a moment to think about the kind of person who typically visits this coffee shop. Imagine the person in your mind and then describe this person using one or more personal adjectives such as classy, poor, stylish, friendly, modern, traditional, popular or whatever other personal adjectives you can think of to describe the typical visitor of this coffee shop."

Then participants answered questions regarding self-congruity, WTPP, and cosmopolitanism. We also measured visit frequency and experiences of travelling abroad, because these two factors might affect consumers’ knowledge of coffee shops and their perceptions. Participants also provided demographic information.

3.2 Measures

We adapted Shen et al.’s (2016) 7-point semantic differential scale with 4 items to measure perceived luxuriousness of physical settings such as seating comfort, décor, and furniture using
four bipolar items (e.g., low/high class, not luxurious/luxurious). Jang and Namkung (2009)’s 4-item scale of perceived food quality was adapted to measure perceived coffee quality. The measure of self-congruity was adapted from Sirgy and Su’s (2000) scale consisting of actual self-image, social self-image, ideal self-image, and social ideal self-image. We adopted Cleveland et al.’s (2014) 5-item scale to measure cosmopolitanism. To measure WTPP, we adapted Netemeyer et al.’s (2004) scale to assess participants’ willingness to pay more for the coffee at this coffee shop, compared with other coffee shops, other kinds of coffee, and other kinds of beverages. The items of perceived quality, self-congruity, cosmopolitanism and WTPP in this study were measured with 7-point Likert-type scales (1 = strongly disagree, 7 = strongly agree).

4. Results

4.1 Preliminary analyses

CFA was performed using AMOS 25.0 to confirm the factor structure. The CFA with all the items led to an acceptable model fit ($\chi^2 = 327.42$, $df = 160$, $\chi^2/df = 2.05$, CFI = .97, IFI = .97, RMSEA = .06, Standardized RMR = .04; $p = .000$). All the factor loadings were statically significant ($p < .001$) and greater than .70 (Table 1), suggesting convergent validity (Kline, 2011). The average variances extracted (AVE) for each construct was greater than the .50 benchmark, supporting convergent validity (Hair et al., 2010). The square roots of the AVEs for all constructs were greater than the correlations between constructs pairs (Table 2), confirming discriminant validity (Fornell and Larcker, 1981).

------------------------- Insert Table 1 Here -------------------------

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4.2 Parallel mediation and moderated mediation

We performed a parallel mediation analysis (5,000 bootstrapped samples; Model 4; Hayes, 2013), with perceived luxuriousness as the independent variable, perceived quality and self-congruity as parallel mediators, and WTPP as the dependent variable. We treated visit frequency and experiences of travelling abroad as covariates. As expected, we found a significant indirect effect for the mediation path through perceived quality ($B = .27, SE = .07, 95\% CI = [ .13, .40]$) and through perceived self-congruity ($B = .14, SE = .04, CI = [ .07, .24]$). The direct effect of perceived luxuriousness on WTPP was significant ($B = .20, SE = .06, CI = [ .07, .32]$), indicating partial mediation through two parallel mediators (Figure 2). The results in the mediation analysis indicate that perceived luxuriousness led to high perceived quality and high perceived self-congruity respectively, which in turn contributed to high WTPP. Thus, $H1$ and $H2$ were both supported. Results also show that two covariates (e.g., visit frequency and experiences of travelling abroad) did not have any significant effects on mediators or the dependent variable because all confidence intervals included zero.

A moderated mediation analysis with cosmopolitanism as the moderator was performed (5,000 bootstrapped samples; Model 7; Hayes, 2013). The results show that cosmopolitanism did not moderate the indirect effect of perceived quality on WTPP (index = .02, SE = .02, 95\% CI = [- .007, .055]), thus $H3$ is not supported. As expected, cosmopolitanism moderated the indirect effect of perceived self-congruity on WTPP (index = .05, SE = .02, 95\% CI = [ .02, .09]). Further, the indirect effects through perceived self-congruity were significant and greater for participants with higher cosmopolitanism: .08 CI = [ .03, .15], .12 CI = [ .06, .20], and .15 CI = [ .07, .26] for cosmopolitanism levels of 4.8, 5.6, and 6.4, respectively, corresponding to one standard deviation below the mean, the mean, and one standard deviation above the mean. Thus, these results confirm
the predicted moderated mediation through perceived self-congruity, supporting $H4$. The moderated mediation results indicate that among customers with high (vs. low) cosmopolitanism, perceived luxuriousness led them to have higher self-congruity, which in turn contributed to higher WTPP. However, the moderated mediation effect was not observed in the path through perceived quality.

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5. General discussion and conclusion

5.1 Summary of findings

This article demonstrates that perceived luxuriousness, based on the combination of different atmospheric cues such as fine visual design, layout, elegant décor, and luxury atmosphere, has a positive effect on customers’ willingness to pay a price premium for the coffee. Such effect is due to customers’ inferences about the high quality of coffee, and high self-congruity between the self-image and the coffee shop image. Further, our findings show that the effect of perceived luxuriousness on WTPP via self-congruity is stronger for customers with high cosmopolitanism than for those with low cosmopolitanism.

5.2 Theoretical implications

This article makes several contributions to different streams of literature. First, it deepens our understanding of the effects of atmospheric cues on patronage intentions by demonstrating how perceived luxuriousness of coffee shop furnishings leads to WTPP. While prior research has treated social, design, and ambient cues separately (Baker, 1987, 2002; Kumar and Kim, 2014), we show that the combination of visual design (e.g., color and layout) and ambient cues (e.g., lighting) –luxuriousness– is an important predictor of customers’ approach behavior. Further, although prior research on atmospherics grounded in the S-O-R model focused on customers’
internal state such as cognition, emotions, and feelings (Baker et al., 1992; Mehrabian and Russell, 1974), we uncover another mechanism underlying the relationship between atmospherics and WTPP by identifying perceived quality and self-congruity as parallel mediators, filling the research gap.

Second, this article expands the self-congruity literature. While previous research focused more on the outcomes of self-congruity, such as advertising effectiveness (Bjerke and Polegato, 2006), attitudes towards the retailer (Das, 2014), and product choice and purchase intentions (Ericksen, 1997), this article identifies the antecedent and outcome of self-congruity by showing that perceived luxuriousness increases self-shop image congruity, which in turn contributes to high WTPP. Third, our findings of mediation effects enrich the brand equity literature and contribute to the literature on WTPP by adding self-congruity as its antecedent, which leads customers to pay a price premium, in parallel with perceived quality. Finally, this article contributes to the cosmopolitanism literature by demonstrating that cosmopolitanism enhances the relationship between perceived luxuriousness and WTPP via self-congruity. In other words, among customers with high cosmopolitanism compared with those with low cosmopolitanism, the perceived luxuriousness of physical settings triggers higher self-congruity, which in turn increases their WTPP.

5.3 Managerial implications

This article has advanced our understanding of the phenomenon where some global brands such as Häagen-Dazs and Starbucks are highly priced, and some Western fast-food brands are positioned as “semi-luxurious” brands in the Chinese market. The price of a Starbucks’ latte in Shanghai (China) is US$ 4.22, which is 22% higher than the benchmark price of the same coffee
in New York City (Desjardins, 2017). Pizza Hut, a fast-food brand, is positioned as a semi-luxurious restaurant in China, where Chinese customers have their business lunches, which is surprising to a British sojourner (Yu et al., 2019). The current work explains such a phenomenon by uncovering that these brands have adopted a luxurious positioning strategy to serve Chinese middle-class customers who appreciate the symbolic value, and enjoy connections to the global community. This article provides implications for global coffee brands that want to establish chain outlets or expand rapidly into the Chinese market. Our findings suggest that the visual aesthetic elements such as color, design, layout, and lighting can deliver a sense of luxuriousness, which signals high coffee quality, and increases the congruence between the shop and the customer’s self-image. As such, coffee shop managers should elaborately manipulate atmospheric cues such as interior visual design, colors, layout, lighting, decorations, and even the menu to create the atmosphere of luxuriousness, thus delivering the value of brand prestige and the authenticity of a Western or foreign culture. These symbolic values would allow Chinese customers to be part of a global elite, enhancing customers’ visit experience, and increasing their social status. For example, service providers can arrange ornaments for festivals such as Thanksgiving Day and Christmas, which convey a sense of gratitude and joy, and symbolize authentic Western culture. They can also provide some English newspapers and magazines, which are popular in the world of Chinese customers’ counterparts, such as Vogue, the Wall Street Journal, the New York Times, and the Economist.

Further, the premium pricing strategy should be aligned with the value of luxuriousness provided by the coffee shop, because Chinese customers focus more on social status and high quality than prices. Therefore, a global-branded coffee shop functions as a glocal servicescape to satiate Chinese customers’ desire for Mianzi, and connection to the global community. As such, a
standardization positioning without considering coffee culture and emerging consumer culture in China would not be effective for global coffee brands, which want to establish their chain shops or expand rapidly. Third, the moderation effect of cosmopolitanism indicates that coffee brands need to put more effort in their visual design of the physical environment in the first-tier cities such as Beijing, Shanghai, Guangzhou, and Shenzhen, since people living in these cities are better-educated, and more open to foreign cultures, exhibiting higher cosmopolitanism. The coffee brand marketers also need to consider their luxury branding strategy in the emerging first-tier cities, such as Chengdu, Chongqing, Nanjing, and Changsha, which are measured by commercial resources, city pivotability, vibrancy, lifestyle diversity, and future adaptation (Wong, 2019). While this research is situated in the context of coffee shops, the findings may be extended to other contexts such as restaurants, patisseries, and ice cream chain shops. The Chinese market has witnessed the successes of Häagen-Dazs, Pizza Hut, Costa, and Starbucks, and more coffee-food brands such as the South Korean Mann Coffee, the Japanese Manabe Coffee, and the Canadian Tim Hortons have entered the Chinese market. Our findings suggest that these branding managers should adopt appropriate brand positioning strategies, and effective visual designs to deliver their authenticity and brand value to Chinese customers, satisfying their needs for social status and becoming part of a global elite (Liu et al., 2016).

5.4 Limitations and future research

This research has some limitations. First, it is limited to coffee shops, as an example of a category. Future research may extend our findings to different categories of service providers, such as restaurants and patisseries, as discussed above. Second, the research was conducted in China and the role of cross-cultural differences was not considered in this work, posing another limitation.
Cultural values have strong effects on customer perceptions and responses regarding design (Limon et al., 2009), and Western culture has influenced Asian countries such as India, South Korea, and Japan in different ways, providing a venue for future research. Third, while we measured WTPP as the key outcome, which is a stated consumer preference (i.e., what consumers state they would do), future research can examine revealed consumer preference (i.e., what consumers are observed to do; Urama and Hodge, 2006).

Another avenue for research would be to examine other boundary conditions, such as materialism and self-brand connections. Specifically, it is possible that customers with high materialism are more willing to pay a price premium, when the perceived luxuriousness leads to higher ideal self-congruity (Fastoso and González-Jiménez, 2020). Self-brand connections may also work as a moderator, strengthening the relationship between self-congruity and WTPP. Finally, this research operationalized self-congruity using all aspects of the construct (i.e., actual self, social self, ideal self, and social ideal self). However, Fastoso and González-Jiménez (2020) have only focused on ideal self-congruity, because it motivates consumers’ brand preferences. Future research may examine each aspect of self-congruity, respectively, in more detail. As such, it would provide more nuanced understanding of the relationship between atmospheric cues such as luxuriousness and WTPP.
References


Richard, M. O., Chebat, J. C., 2016. Modeling online consumer behavior: Preeminence of emotions and moderating influences of need for cognition and optimal stimulation level, J. Bus Res. 69 (2), 541-553.


Figure 1. Research model
Figure 2. Parallel mediation results

Notes. Regression weights (B) are unstandardized; Standard errors (SE) in parentheses. *p < .05, **p < .01, ***p < .001.

The total indirect effect was significant (B = .41; SE = .06; 95% C.I. [.29, .52]).
The indirect effect through perceived quality (the effect hypothesized in H1) was significant (B = .27; SE = .07; 95% CI = [.13, .40]).
The indirect effect through self-congruity (the effect hypothesized in H2) was significant (B = .14; SE = .04; 95% CI = [.07, .24]).
Table 1. Factor loadings

<table>
<thead>
<tr>
<th>Construct items</th>
<th>Standardized loadings</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Perceived luxuriousness</strong> ( (\alpha = .896); Shen et al. (2016) )</td>
<td></td>
</tr>
<tr>
<td>Not high class/high class</td>
<td>.793</td>
</tr>
<tr>
<td>Not luxurious/luxurious</td>
<td>.781</td>
</tr>
<tr>
<td>Poor atmosphere/good atmosphere</td>
<td>.829</td>
</tr>
<tr>
<td>Poor design/good design</td>
<td>.898</td>
</tr>
<tr>
<td><strong>Perceived quality</strong> ( (\alpha = .921); Jang and Namkung (2009) )</td>
<td></td>
</tr>
<tr>
<td>This coffee shop serves very tasty coffee.</td>
<td>.882</td>
</tr>
<tr>
<td>This coffee shop provides authentic coffee taste</td>
<td>.865</td>
</tr>
<tr>
<td>The coffee presentation in this shop is visually attractive.</td>
<td>.849</td>
</tr>
<tr>
<td>This coffee shop offers high quality coffee</td>
<td>.866</td>
</tr>
<tr>
<td><strong>Self-congruity</strong> ( (\alpha = .913); Sirgy and Su (2000) )</td>
<td></td>
</tr>
<tr>
<td>The guests of this coffee shop have an image consistent with my own image.</td>
<td>.843</td>
</tr>
<tr>
<td>The guests of this coffee shop have an image consistent with how others see me.</td>
<td>.805</td>
</tr>
<tr>
<td>The guests of this coffee shop have an image consistent with how I would like to see myself.</td>
<td>.857</td>
</tr>
<tr>
<td>The guests of this coffee shop have an image consistent with how I would like others to see me.</td>
<td>.896</td>
</tr>
</tbody>
</table>
**WTPP** ($\alpha = .895$); Netemeyer et al. (2004)

I am willing to pay a higher price for this coffee shop’s coffee than for other coffee shops’.

I am willing to pay a lot more for the coffee in the coffee shop than for other kinds of coffee (instant coffee, ground coffee).

I am willing to pay a higher price for coffee than for other beverages (bubble milk, juice and so on).

**Cosmopolitanism** ($\alpha = .894$); Cleveland et al. (2014)

I like to observe people of other cultures, to see what I can learn from them.

I am interested in learning more about people who live in other countries.

I enjoy exchanging ideas with people from other cultures and countries.

I like to learn about other ways of life.

I enjoy being with people from other countries to learn about their unique views and approaches.
<table>
<thead>
<tr>
<th></th>
<th>AVE</th>
<th>PL</th>
<th>PQ</th>
<th>SF</th>
<th>WTPP</th>
<th>COS</th>
</tr>
</thead>
<tbody>
<tr>
<td>PL</td>
<td>.684</td>
<td>.827</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PQ</td>
<td>.749</td>
<td>.802</td>
<td>.866</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SF</td>
<td>.724</td>
<td>.612</td>
<td>.797</td>
<td>.851</td>
<td></td>
<td></td>
</tr>
<tr>
<td>WTPP</td>
<td>.743</td>
<td>.643</td>
<td>.727</td>
<td>.672</td>
<td>.862</td>
<td></td>
</tr>
<tr>
<td>COS</td>
<td>.627</td>
<td>.465</td>
<td>.553</td>
<td>.494</td>
<td>.567</td>
<td>.792</td>
</tr>
</tbody>
</table>

*Acronyms:* PL = perceived luxuriousness; PQ = perceived quality; SF = self-congruity; WTPP = willingness to pay a price premium; COS = cosmopolitanism; AVE = Average variance extracted.

*Notes:* The square roots of the AVEs are reported on the diagonal in italics; values below the diagonal are construct correlations.