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Research Paper

Independent café entrepreneurships in Klang Valley, Malaysia – Challenges and critical factors for success: Does family matter?

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ABSTRACT

This article investigates the challenges of Klang Valley's independent cafés at the entry stage, while also identifying their shared critical factors for success and their common practices. A total of five exemplar cases and two coffee industry experts were sampled in a two-phase qualitative approach. A list of eight challenges were identified and thematic analysis was used to find four critical success factors essential to survive past the entry stage: (1) concept vs. strategies; (2) an extended notion of location selection; (3) building foundations; and (4) family factors and family life-cycle management. By understanding the critical success factors of the exemplar cafés, foodservice entrepreneurs can gain insights on how these factors could be incorporated into their business strategies to survive the entry stage. Moreover, by investigating Klang Valley's café culture, this study broadens the understanding of Klang Valley's destination characteristics, and provides practical and realistic implications that contribute to the development of Klang Valley through cultural and culinary tourism initiatives.

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1. Introduction

Tourism has an immense economic impact on national incomes worldwide, which has led various tourism organizations to develop new tourism products to attract tourists. In light of this, food and beverages, which have long been viewed as an important factor affecting tourists' overall experiences during their travels (Henderson, 2009; Horng, Liu, Chou, & Tsai, 2012), may also serve as a major destination attraction feature (Boniface, 2003). Moreover, food and beverages are an essential sector of the tourism industry, leading governments to invest immense marketing efforts in attempting to develop their destination's potential to attract culinary tourists (Ignatov, & Smith, 2006). Food-and-beverage-related tourism is becoming a significant segment of tourism that triggers a range of entrepreneurial activities, rather than being just a niche tourism product.

Malaysia' is globally renowned for its dynamic and diverse restaurant industry. This ranges from franchise restaurants to family restaurants, ethnic restaurants, fine-dining restaurants,

hawker stalls and many other types of food establishment. Among the vast range of restaurant establishments that Malaysia has to offer, there has been a significant increase in independent café entrepreneurships, especially in Klang Valley. These cafés stand out from franchise cafés in that they carry their own identity and make decisions independently, unlike franchise cafés where decisions are made according to their franchisor's system (Camillo, Connolly, & Kim, 2008).

The remarkably low entry barriers to the restaurant industry encourage new café entrepreneurs to enter the industry without substantial experience or expertise. Previous studies have shown how competitive and turbulent the restaurant business can be, which causes restaurants to close within the first two to three years of operations (Khanfar, Loudon, & Mujtaba, 2010; Leiper, & Stear, 2009). Additionally, the possibility of restaurant failures is extremely high at the entry stage, as studies have reported that 25% of new entrants fail within the first year of operations (Parsa, Self, Njite, & King, 2005).

Family firms have, moreover, seen tremendous growth in various industry sectors, especially the restaurant industry. These firms play an indispensable role in increasing economic productivity in many emerging, developing and developed economies (Aldrich, & Cliff, 2003). Several studies have already noted that these family-owned and managed firms have significant economic

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impacts worldwide (Ifera, 2003; La Porta, Lopez-de-Silanes & Shleifer, 1999). Moreover, past studies have also demonstrated that entrepreneurial start-ups bring significant economic growth and development (Birch, 1979; Schumpeter, 1934). Indeed, local governments and policy makers are increasingly acknowledging the importance of entrepreneurial activities as a valuable economic resource (Brännback, Carsrud, & Kiviluoto, 2014). Carsrud, and Cucculelli (2014) have stated that these family-managed firms are, however, often neglected by these same government and policy-makers, even though they play pivotal roles in initiating new entrepreneurial ventures. In addition, although the relationship between family factors and entrepreneurship have often been studied (Hoffmann, Junge, & Malchow-Møller, 2015; Laspita, Breugst, Heblich, & Patzelt, 2012; Lentz, & Laband, 1990), there are still limited studies regarding how family factors affect foodservice enterprises, thus prompting this study to include family factors as a research question.

Instead of focusing the setting on restaurants as a whole, this study focuses only on independent cafés. These independent cafés are also widely known as 'artisan coffee shops' or 'third-wave coffee shops', which are defined as a new movement of coffee shops that prepare coffee beverages with a fusion of artistry and science (Baccellieri, 2006). Moreover, this study utilizes the term 'café' instead of 'coffee shop' because 'coffee shop' in Malaysia can easily be mistaken for local *kopitiams*, which are traditional coffee shops that offer coffee products brewed and strained from a coffee sock (Lai, 2010). In addition, the term 'independent café' is stipulated to be an independently owned foodservice outlet that specifically offers: (1) espresso-based beverages, (2) desserts, and (3) a selection of appetizers and main courses. On top of that, this study stipulates in its sampling that independent cafés are deemed to be successful if they have surpassed the entry stage, which has been specified as independently owned cafés operating for a minimum of two years.

This study was conducted qualitatively and comprised two phases: the first comprising multiple case studies and the second two separate interviews with Malaysian coffee industry experts. The overall design aimed to explore the challenges and critical success factors of successful independent cafés in Klang Valley at the entry stage. Previous studies have already identified the critical success factors of generic independent restaurants (Camillo et al., 2008; Mandabach, Siddiqui, Blanch, & VanLeeuwen, 2011; Parsa et al., 2005). There are, however, no studies that focus on independent cafés and the entry stage, which is considered the most vulnerable stage of the business life cycle. This research is thus intended to help new entrants and their respective investors to become more aware of the challenges for a new entrant. The following research questions were thus addressed:

- (1) What are the challenges for new independent café entrepreneurs during the entry stage?
- (2) What are the critical success factors for independent café entrepreneurship during the entry stage?
- (3) How do family factors and the stages of the family life cycle affect independent café entrepreneurs' business performance during the entry stage?

2. Literature review

The following section provides relevant literature regarding: (1) food and beverage tourism, (2) the café industry in Klang Valley, Malaysia, (3) business challenges for restaurants, (4) critical success factors for restaurants, (5) family factors and family involvement, and (6) the family life cycle and the organizational life cycle.

2.1. Food and beverage tourism

Food and beverages can play a critical role in tourism development, representing a crucial tourism resource for destinations (Henderson, 2004; Sánchez-Cañizares, & López-Guzmán, 2012). Food-and-beverage-related tourism is known by many terms, including culinary tourism (Long, 1998), food tourism (Hall, & Mitchell, 2001), gastronomy tourism (Kivela, & Crofts, 2005), tasting tourism (Boniface, 2003) and restaurant tourism (Sparks, Bowen, & Klag, 2003). All of these share the same motivational component of food, which initiates and influences destination-selection decisions. Even though food and beverage are not the initial reason why tourists choose a particular destination, it cannot be overlooked that eating and drinking are essential upon arriving at the destination (Lee, Scott, & Packer, 2014). This is emphasized by Fox (2007), who argues that a bland and indistinct gastronomic identity may prove detrimental to a destination's success.

Several new sub-segments of gastronomic tourism revolving around the appreciation of beverages have also begun to receive scholarly attention. These include wine tourism (Brown, & Getz, 2005), tea tourism (Jolliffe, 2007) and beer tourism (Plummer, Telfer, Hashimoto, & Summers, 2005). Coffee tourism has also recently witnessed an increase in scholarly can generate (Anbalagan, & Lovelock, 2014; Jolliffe, 2010; Kleidas, & Jolliffe, 2010). As tourism carries a multiplier effect that generates business opportunities in the hospitality sector, tourist demand for the various gastronomic sub-segments can present valuable opportunities upon which interested practitioners may capitalize (Henderson, 2009).

2.2. The café industry in Klang Valley, Malaysia

Malaysia's foodservice industry has witnessed vigorous development, as is evident from the growth of local and international businesses operating in the sector. A total of 9947 new foodservice businesses emerged within a short time span of 2006 to 2011 (Euromonitor International, 2012). Additionally, the nation has witnessed an increase in small-to-medium-sized enterprises (SMEs) in the service sector from 2013–2014, 7.4% of which was accounted for by foodservice establishments (SME Corporation Malaysia, 2014). This phenomenon is primarily caused by the increase of eating-out behaviors among the population of Klang Valley, Malaysia (Tan, 2010), as well as the increasing globalization of international restaurant brands through franchising (Olsen, & Zhao, 2001).

The destination of Klang Valley (which is made up of several towns and cities, such as the Federal Territory of Kuala Lumpur, Shah Alam, Petaling Jaya, and many others), has been reported to be the most urbanized destination in Malaysia (Ali, & Abdullah, 2012). The urbanization of Klang Valley has greatly impacted the foodservice industry by increasing the population's tendency to eat out on a daily basis (Fatimah, Boo, Sambasivan, & Salleh, 2011). This has prompted many food operators, both legal (with valid licensing) and illegal (without valid licensing) to enter the industry to fight for these opportunities (Ali et al., 2012). The upsurge in independent café entrepreneurs in Klang Valley could be explained primarily by the increasing demand in high-quality coffee and modern environments, which have jointly transformed cafés to become routine leisure places. While the older generation might still prefer the traditional coffee shops (or *kopitiams*), the appreciation of coffee in modern cafes is expected to grow among the younger generation. Moreover, these cafés allow their patrons to display status and wealth, as dining in these establishments symbolizes a congruence between store image and customer self-image (Kang, Tang, Lee, & Bosselman, 2012). Furthermore,

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